WRESTLING WITH THE POOR SISTER:
CANADA PENSION PLAN
DISABILITY POLICY AND PRACTICE, 1964 – 2001

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EXECUTIVE SUMMARY

This paper offers a policy and political history of the disability benefit component of the Canada Pension Plan (CPP), the "poor sister" of this public contributory pension plan. Broad policy trends and developments are the focus, highlighting the role of Ministers, Members of Parliament, public servants, policy advisors and other political actors. To do so, the paper examines the pension reform agendas and records of the Pearson, Trudeau, Mulroney and Chretien governments. The analysis covers the origins, early implementation, liberalization of benefits, and the more recent restraint and reorientation of the disability benefit program.

The evolution of disability policy has occurred in four periods: the policy design and formation phase from 1964 to 1970; the policy implementation, adaptation and pension debate phase spanning the 1970 to 1986 period; the years 1987 to 1993, which included major reforms to the CPP and the liberalization of disability benefits and eligibility; and the most recent phase, 1993 to 2001, a period characterized by critiques, retrenchment and the reorientation of disability benefits and goals. In the early years of the 21st century, the CPP disability program is a product of, and in many ways remains, an interplay of these four periods of policy changes and continuities.

This paper provides a vehicle for discussion on CPP disability policy perspectives with the Office of the Commissioner of Review Tribunals (OCRT), the federal tribunal responsible for second level appeals under the CPP. Approximately 95 per cent of appeals of CPP-related decisions concern disability benefits. One aim of the paper is supporting the Commissioner and individual members to contribute to policy development during regular and ad hoc reviews of the program. The paper will also be included in the pre-orientation information package distributed to tribunal members, providing important policy background against which members can undertake their statutory duties.

INTRODUCTION

"One of the most important policy initiatives ever undertaken in Canada was the decision over three decades ago to establish the Canada Pension Plan. The CPP is about our values as a nation. It is about the sharing of risk and the security of benefits."

Hon. Paul Martin
Minister of Finance, February 28, 1998

"The principle intended to be followed under the provisions of the pension plan is that the individual who is either a contributor or a dependant should not be unnecessarily burdened. After all, the whole idea of a pension plan is to provide benefits rather than creating costs."

Hon. Judy LaMarsh
Minister of National Health and Welfare,
February 26, 1965

With the passage of the Canada Pension Plan (CPP) and the Quebec Pension Plan (QPP) in 1965, income support for workers who experience a severe and prolonged disability became a national objective and responsibility by governments. In the subsequent 35 years, the CPP disability program has become a major feature of Canadian social policy for persons with disabilities and their families. In fact, the CPP disability program is the largest long-term disability income program in Canada, offering coverage regardless of the cause of the disability and providing more than $2.8 billion in benefits; benefits which are portable across the country and fully indexed to inflation. Yet, paradoxically, the CPP disability program does not figure prominently in political and policy debates, has low visibility in media coverage and, it seems, is not well understood by the general public.

Purposes and Scope

The paper has three purposes. The first is to identify the major periods of policy and legislative change in CPP disability over its history, and to assess the nature and importance of political variables on these changes. The second is to critically analyse and evaluate, from the perspective of the applicant for CPP benefits, the implications of these changes, in particular the latest set of reforms. A third purpose is to raise awareness and enhance understanding of this vital program in Canada's social union.

The focus of the analysis is on the disability component of the CPP, rather than the CPP retirement pension and its other aspects more generally. The time frame covers the 1964 to 2001 period, which spans the origins of the program design and intergovernmental agreement to the CPP, through to the most recent set of policy reforms to the CPP and the

disability benefits introduced since 1998. The history of the CPP provides important insight for understanding Canada's policy response to the income and rehabilitation employment needs of persons with disabilities. As a policy analysis, the paper considers the historical context and subsequent developments in disability policy; the policy goals and program details of the CPP disability; the general political and ideological context of Canadian society, Parliament and federalism; as well as the implications for applicants and clients.

Themes and Arguments

The CPP symbolizes the ambiguous position of persons with disabilities, and of disability, in Canadian society and social policy. Several themes and arguments are suggested by the main title of this paper, "Wrestling with the Poor Sister." On a number of levels, the CPP disability program is the poor sister to the retirement pension program and wider pension policy field, struggling to manage a difficult and large caseload, and complex system of appeals. The CPP disability is a supplementary component within this retirement income program, yet has become the largest disability income program in the country. One of the principles for reforming CPP in 1997-98 was that disability benefits must be designed and operated "in a way that does not jeopardize the security of retirement pensions" (Finance Canada, 1997: 119). In 1999-2000, disability benefits represented 9.5 per cent of CPP benefits paid and 14.9 per cent of the total benefit dollars paid out by the CPP that year.

A right to benefits is established through making contributions and having an attachment to the work force, however since the introduction of the disability program in 1970, most appeals to the responsible Minister and department have dealt with denial of disability benefit applications. In a sense, the modestly resourced Office of the Commissioner of Review Tribunals (OCRT), which handles second-level appeals, is the poor sister to the comparatively massive Human Resources Development Canada which oversees the management of the CPP and handles the first-level of appeals. Even more so, individuals dissatisfied with the initial denial of an application for CPP benefits are the "poor sister" wrestling with HRDC, and possibly the OCRT and Pension Appeals Board.

The poor sister status of the disability program is also evident politically and academically. In comparison to recipients of Old Age Security benefits, retirement pensions or veterans' pensions, the beneficiaries of CPP disability benefits are not a real or perceived powerful political constituency (Banting and Boadway, 1997; Prince, 1992, 1997). In governmental reports and the academic literature on public pension policy, the CPP disability benefit has tended to receive only marginal attention, even in periods of great pension debates (e.g., Bryden, 1974; Guest, 1998).

Outline of the Paper

To facilitate an understanding of disability policy change, the paper is structured around a framework which casts the evolution of disability policy as occurring in four periods: the policy design and formation phase from 1964 to 1970; the policy implementation, adaptation and pension debate phase spanning the 1970 to 1986 period; the years 1987 to 1993, which included major reforms to the CPP and the liberalization of disability benefits and eligibility; and the most recent phase, 1993 to 2001, a period characterized by critiques, retrenchment and the reorientation of disability benefits and goals.

The rest of the paper is organized in six main parts. The first part presents the analytical methods and key concepts used in conducting the research and policy study. The second part discusses the policy and political origins of the CPP and the disability component in the 1964 to 1970 period. The third part, which covers the years 1970 to 1986, describes the implementation of the CPP disability program, noting the various legislative and policy adaptations made, and offers an overview of the proposals, made during the "Great Pension Debate" of the late 1970s and early 1980s, for reforming the disability program. The fourth part looks at the major reforms to the CPP, including the liberalization of disability benefits and administration, and the introduction of a new appeals system, in the 1987 –1993 period. The fifth part examines the current period in the history of the CPP, a period characterized by critiques, some program retrenchments and a modest reorientation of the program's goals. In the sixth part, the paper concludes with general observations on the program's changes and continuities, as well as challenges and implications for clients. A chronology of CPP policy developments for the entire era is included in an appendix.

ANALYTICAL METHODS AND KEY CONCEPTS

The paper employs several research methods: a scan of the academic literature on the CPP and related social policies in Canada; a review of government documents on the CPP, especially on the disability benefit; selected interviews with officials; and an analysis of administrative data regarding trends in expenditures, caseloads, decisions and appeals related to CPP disability benefits. The overall approach is a decision-making analysis and study of the public policy process. Key concepts underpinning and informing the analysis of the paper include disability policy, policy goals, program elements, and periods of policy evolution.

Disability Policy

Broadly conceived, public policy includes an array of authoritative actions that guide the direction of government in pursuing certain goals. Viewed this way then, CPP disability policy encompasses the following authoritative actions: legislation (the most obvious example being the *Canada Pension Plan* Act); intergovernmental, inter-sector and international agreements on social security; regulations and policy directives that interpret and direct the implementation of the legislation; guidelines, for example to physicians and other medical practitioners; case decisions by Human Resources

Development Canada (HRDC) on approvals and denials; leading decisions on appeals by the Pension Appeals Board, the Federal Court of Canada and the Supreme Court of Canada in CPP cases appealed beyond the level of Review Tribunals;[1] management protocols and "best practices" such as for hearing processes; and, communication initiatives that include program guides and personalized annual statements of contributions to the CPP.

Policy Goals and Perspectives

Along with being an authoritative mechanism for allocating benefits and rehabilitation services, the CPP disability program is an expression of public purposes and certain deep rooted values. An original and still primary policy goal of CPP disability is:

(1) providing a degree of income protection or financial security, that complements private insurance, personal savings and employment benefit programs, by replacing a portion of the earnings of contributors who cannot work because of a severe and prolonged mental or physical disability.

Other policy goals of CPP disability are:

(2) promoting a return to work by supporting at least some CPP disability beneficiaries to undertake gainful employment;
(3) ensuring program integrity and accountability so that benefits are paid correctly, appeals heard fairly and promptly, and fraud and errors are avoided; and
(4) providing or, at times, restoring the financial sustainability and affordability of the CPP for present and future generations.

Corresponding with each of these goals is a perspective on what the role and nature of the program should, and needs to, be in practice. Thus, matching with the income protection goal is a perspective on entitlement; with the return to work goal an accent on enabling and active programming; with program integrity a value emphasis on compliance and enforcement; and with the goal of financial sustainability and affordability, a standpoint that draws attention to actuarial concerns, economic capacity and the equity of contribution obligations across generations of Canadian workers.

A recurring theme in the evolution of the CPP disability program has been an interaction among the four goals and perspectives. In every period of the program's history, these goals and their associated perspectives have had their champions and critics, and all four sets of ideas have been influential in shaping the CPP. The goals of return to work,

[1] Unlike the Pension Appeals Board, the Federal Court of Canada and the Supreme Court of Canada, the Review Tribunals do not make available their jurisprudence on CPP decisions because the Review Tribunals are not the final substantive appeal on CPP. On the evolving jurisprudence, the Legal Services Division of the OCRT has compiled a two volume "Book of Authorities" for Panel Members.

program integrity, and financial sustainability have received relatively greater emphasis in recent years than they did in earlier periods in the CPP disability's program history. At the same time, the income protection goal has been subject to some restraints to slow down the rate of growth in program spending.

Program Elements

The CPP Disability Program consists of six elements. One is the disability pension to eligible contributors. In 1999-2000, $2.6 billion was paid to 287,000 contributors. A second is the disability benefit to the children of contributors. It has its own eligibility rules and benefit rate, and in 1999-2000 $245 million was paid in benefits to 97,000 children. Third, there is a national vocational rehabilitation program and other related return-to-work support services and incentives. A fourth element is the decision-making process on applications and the three-stage appeal system for administering and adjudicating benefit claims. Fifth, there is quality assurance and related monitoring and evaluation activities related to the goal of program integrity. Sixth, there is a set of agreements between the CPP and the Quebec Pension Plan to mange the flow of work between the plans and to handle legislative changes. As well there is a series of 14 information-sharing agreements with provincial governments and five such agreements with provincial workers' compensation boards along with 40 reimbursement agreements private sector insurers. Canada also has international social security agreements with 38 other countries. The relation between the policy goals, value perspectives and program elements are shown in Table 1.

Table 1
Policy Goals, Perspectives and Program Elements of the CPP Disability

Policy Goals	Value Perspectives	Program Elements
Income Protection	Entitlement: individuals who pay premiums establish an entitlement to income support in the event of disability or death	➢ Disability pensions ➢ Disability benefits for children ➢ International social security agreements ➢ Reimbursement agreements ➢
Return to Work	Enabling: assist and encourage those able and willing to work to return to the paid labour force	➢ CPP disability vocational rehabilitation program ➢ Related assessment and support services ➢ Work incentives such as the employment earnings exemption ➢
Program Integrity and Accountability	Enforcement: through control and compliance mechanisms ensure that benefits are paid to the right people, at the right time and in the right amounts	➢ Quality assurance program and internal audits ➢ Information-sharing agreements with provinces and WCBs ➢ Initial applications for CPP disability benefits and reconsiderations by HRDC, and

		the Review Tribunal and Pension Appeals Board processes ➢
Financial Sustainability and Affordability	Economy: conscious of program costs and financing in short term and across generations	➢ Contribution rate increases and CPP fund investment ➢ Eligibility for disability benefits and their administration ➢ Information-sharing and reimbursement agreements

Periods of CPP Disability Policy Evolution

A core aim of this paper is to identify the major periods of policy and legislative change in CPP disability over its history. Attention to the history of the CPP and the CPP disability is not merely to offer some general background, but is central to documenting and understanding the phases through which the CPP has passed and the nature of the debates, decisions and developments.

To understand where we are now, and explore where we might be heading, we need to know where we have been and why. The current CPP disability program is a product of the past and a promise for the future. It has been the object of reform as well as restraint pressures and decisions. Looking at the past informs us as to what policy and program options were set aside and how and why programs were formulated the way they were. Looking at history also reminds us of the power of the past in public policy. Past choices in program design and decision processes inform and guide apparent choices and constraints before governments today and tomorrow.

The evolution of CPP disability policy, as noted above, can be divided into four major historical periods. These periods are not exact and watertight eras; they overlap and interact in various ways. Yet, there are basic internal attributes which give each a relatively distinctive image and set of dynamics. The four periods of CPP disability policy development are:

- *1964-1970: policy design and formation*. Constitutional amendment, intergovernmental negotiations and support, and federal CPP legislation. Administrative preparation and phasing-in of CPP contributions, and retirement, survivor and disability benefits.

- *1970-1986: implementation, adaptation and reform proposals*. Disability benefits were first paid in the 1970-71 fiscal year. Contribution requirement for disability pension and children's benefits eased slightly.

- *1987-1997: major reforms to the CPP*. Reforms include liberalization of disability eligibility requirements and a substantial increase in disability benefits.

- *1998-2001: critique, retrenchment and reorientation of CPP Disability.* Benefit changes and stricter eligibility for disability pensions.

These periods of policy change are based on legislative, regulatory and administrative reforms related to the disability component of the CPP.[2] For each of these periods, the following questions will be addressed. What is the scope of CPP disability policy? That is, what authoritative actions and program elements are in place, and how are policy goals defined and emphasized? What are the salient changes, if any, in legislation and program features, particularly in benefit levels and eligibility requirements for the disability programs? Who were the actors and organizations involved in making the policy and decision changes? What are the issues and trends regarding the CPP appeals system? What is the shape of disability benefit payments and caseloads? What other significant social policy and political developments were occurring that had implications for the CPP and disability policy? For example, was pension reform a high priority of government? In sum, what are the implications of the period for CPP disability applicants?

DISABILITY POLICY DESIGN AND FORMATION: 1964-1970

The story of the CPP disability program can be traced to more than one date and further back than many Canadians perhaps realize. In 1919, for example, the Liberal Party of Canada at their convention, passed a statement that said, "So far as may be practicable having regard for Canada's financial position, an adequate system of social insurance against ... disability ... should be instituted by the Federal Government in conjunction with the Governments of the several provinces" (Guest, 1998: 66). Closer to the genesis of the program, the story can be said to have started in 1957, when interest about a contributory public pension plan among Canada's main federal political parties noticeably emerged in convention resolutions and election campaign statements.[3]

Pension reform priorities of the 1950s in Canada focused on eliminating the means-tested Old Age Assistance, enhancing the value of the universal Old Age Security, and improving the coverage and features of occupational pensions in workplaces (Bryden, 1974: 137-46). The United States had introduced an earnings-related public pension plan, called Social Security, in 1935, extending it in 1939 to include survivors and then in 1957 adding disability insurance for contributors. Over the years, the American plan had been

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[2] A focus on retirement pensions or survivors' pensions might yield a different number or characterization of historical phases, though the broad outline would likely be similar.

[3] Other dates in the story behind the creation of the CPP disability include 1937 and 1954. In 1937, an amendment to the *Old Age Pensions Act*, passed a decade earlier, made provision for a means-tested, cost-shared plan for the blind and other people with disabilities not covered by provincial workers' compensation plans or veterans' allowance and pension programs. In 1954, with the passage of the *Disabled Persons Act*, the federal government offered to cost-share with provinces the cost of allowances for persons totally and permanently disabled, between the ages of 18 to 69. Within two years, bilateral agreements were reached between the federal government and all ten provinces.

discussed within Canadian political and bureaucratic circles, and this latest extension drew additional attention.

Origins

Following the 1957 federal election, in which old age pensions were a major issue, John Diefenbaker declared "that a Conservative government would look into the possibility of restructuring the old age pension along contributory lines" (Bryden, 1997: 23). Diefenbaker commissioned a comparative study of the Canadian and American systems in 1958, but took little further action until early 1962, when he wrote the premiers seeking an amendment to section 94A of the then *British North America Act*, to allow federal legislation on a social insurance-based pension plan that could include disability and survivor benefits along with retirement pensions.

From general statements and promises in the late 1950s about a public pension plan, by the 1962 and 1963 federal elections, thinking within the political parties, especially the Liberals, had yielded more detailed ideas and a stronger public commitment by the leader to a earnings-related public pension plan for Canadians. The initial design of the CPP was done between 1957 and 1963, when the Liberals were in opposition.[4] An ad hoc advisory committee devised the preliminary Liberal plan on a pension scheme in 1961 and early 1962. Key design features, outlined in a 1962 Liberal party paper, were for a compulsory, contributory scheme with payments from employers and employees, portable benefits, with coverage on a national basis, and taking 10 years to be fully operational (Bryden, 1997: 69-71). Around this time, Prime Minister Diefenbaker contacted the premiers, requesting their support for a constitutional agreement to pave the way for federal legislation on a pension plan. In the June 1962 federal election, health insurance and pensions were the prominent social policy issues. Diefenbaker's massive majority was reduced to a minority government and in January 1963 the Quebec government declined supporting an amendment without first seeing the details of Diefenbaker's legislation, a stipulation that Diefenbaker rejected.

In the April 1963 federal election, Pearson promised "60 days of decisions" by a Liberal government, of which a national pension plan would be among the most important. Upon

[4] Bryden (1997) offers an excellent historical summary of the events and players and issues involved in this period. To summarize: A Liberal Party committee on social security, chaired by Senator David Croll, was established in 1957 to provide input to the 1958 party convention. Among the policy ideas outlined was a universal, contributory and portable pension plan. At the 1958 convention, the approved resolutions recommended the extension of disability pensions and the introduction of a new, universal, contributory and portable pension plan. These ideas were part of the 1958 election platform. Renewed thinking by the Liberals on what to do about pensions occurred at the Kingston Conference in September 1960, an ad hoc policy committee chaired by Walter Gordon and assisted by Tom Kent among others, and the Liberal Rally of January 1961. That rally passed a resolution on pension policy, echoing the 1919 statement, that "a new contributory scheme, if this can be worked out with the provinces on a sound actuarial basis" (Kent, 1988: 92). Later that year, in a national radio address, Liberal leader Lester Pearson pledged a national contributory pension plan as Liberal policy.

winning the 1963 election, the Liberals set up an interdepartmental task force on pensions chaired by the Deputy Minister of Welfare and which reported to a cabinet committee on social security. A detailed outline of the pension plan was drafted and approved by the federal cabinet within three months. The task of securing provincial approval was not so quick or easy.

Negotiations and Decisions

Appreciating the necessity for a constitutional amendment, Tom Kent, Pearson's policy advisor, recommended that insurance benefits for people with disabilities could be discussed with premiers and that the Prime Minister inform them that the federal government was willing to add such a benefit to the CPP. In June 1963, in a letter to the premiers, Pearson outlined federal plans on pension reform, noting that a full discussion of disability insurance was deferred, to allow a focus on improving old age benefits (Bryden, 1997: 84-91). Agreement on a universal contributory pension plan was reached by the federal cabinet in July 1963 to be presented to a federal-provincial conference of welfare ministers that September.

In the Pearson Liberals' first pension policy formulation in July 1963 and their first draft legislation, Bill C-75, placed before Parliament in January 1964, disability benefits were not included. Welfare ministers in their September 1963 meeting agreed that a constitutional amendment should be made to allow the inclusion of benefits for people with disabilities and survivors. In the wake of a federal-provincial first ministers' conference in November 1963, in which some concerns about the federal plan were raised by various premiers, a federal cabinet committee on social security was formed, to revise the federal CPP proposal. At a first ministers' conference in late March, early April 1964, the revised federal plan was presented and a Quebec plan was unveiled.

Constant communications, consultations and negotiations played a central part in shaping the CPP and QPP, and with them the disability pensions associated with the plans.[5] Over the policy development stage in 1963 and 1964, there were confidential meetings between Quebec Liberal Ministers in the Pearson Cabinet and the Quebec Premier; and private meetings and communications between the Quebec Premier and the Prime Minister and his senior policy advisor and the secretary to the cabinet. There also was a conference of federal and provincial welfare ministers that discussed pensions as well as three federal-provincial conferences of first ministers. Federal officials had numerous meetings with their Quebec and Ontario counterparts, and Pearson had extensive correspondence with the provincial premiers (Simeon, 1972).

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[5] The story of the political struggles over and actual implementation of the CPP and QPP has been well chronicled elsewhere by academics and participants (LaMarsh, 1968; Simeon, 1972; Bryden, 1974; Kent, 1988; Bryden, 1997). One participant in the policy process, Tom Kent (1988: 284), has described the creation of the CPP and the QPP as "the constructive expression of the idea of co-operative federalism. … a balanced combination of the best of federal and provincial ideas." For Kent and the Pearson Liberals of the 1960s, co-operative federalism implied a mutual respect for federal and provincial jurisdictions, two-way consultation, and the coordination of parallel actions on common interests.

The Quebec government was determined to develop its own public pension plan, and Quebec's legislative assembly passed a resolution to that effect in 1963. At a federal-provincial conference in April 1964, the Quebec Premier outlined what the QPP would be. Kent (1988:274), who was part of the federal delegation at the conference, recalls that "it was an excellent plan for its purpose. It would provide appreciably larger pensions than we proposed, and with the supplementary survivor and disability benefits that we did not have the constitutional power to include. It would generate, for many years, large investment funds. One could almost see the other provincial premiers licking their lips."

A constitutional amendment was needed to enable Parliament to make laws in relation to supplementary benefits of old age pensions, including survivors' benefits and disability benefits. All 10 provinces agreed to an amendment, section 94a of the *BNA Act*, in 1964. In return for provincial assent to this constitutional extension of jurisdiction to the federal sphere, the Pearson government had to grant provincial control over the scope, amending and financing of the CPP:

- Any province can opt out and establish its own plan, in which case the CPP ceases to operate generally in that province.
- Amendments to the CPP must be approved by two-thirds of the provincial governments representing at least two-thirds of the population (a provision including Quebec, even though that province opted out).
- Surpluses from the CPP Fund are loaned to the provincial governments on special terms of borrowing.

The CPP is not only an example of collaborative federalism, therefore, but also contains within its own legislation elements of classical federalism with opting-out and entangled federalism with an amending formula of multiple vetoes. With the constitutional amendment, survivor, death and disability benefits were then included in the federal design of the CPP.

Negotiations between Ottawa and Quebec directly influenced the nature of the disability benefit, among several other features of the plans. In their pension plan proposal, Quebec had included a disability benefit but had restricted eligibility to those aged 60 and over, apparently due to financial concerns (Bryden, 1974: 247).[6] When Ottawa added a disability benefit to its legislative proposal of November 1964, in Bill C-136, no age limit was attached. In the end, both the CPP and QPP incorporated a disability benefit without an age restriction. Two other features from Quebec's proposal, important to persons with disabilities with low incomes, which Ottawa adopted, were: that contributions not be collected on the first $600 of annual income; and that benefits be adjusted to cost-of-living increases up to two percent a year.

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[6] When the United States added disability insurance to Social Security in 1956, it was aimed at people with permanent physical or mental disabilities aged 50 years or older. This age limit was repealed by Congress in 1960 (Dixon, 1973: 13).

Goals and Program Design

At the time of its enactment in the mid 1960s, the CPP had a number of innovative features. The use of a social insurance model – compulsory contributions with broad coverage of the working population for a range of risks, and benefits bearing some relation to contribution - was familiar to Canadians with respect to workers' compensation schemes and unemployment insurance. Its adoption here, however, was a departure from prevailing federal income policies for people with disabilities. Before the CPP, the dominant means of providing assistance to persons with disabilities was through a social assistance model. That model involved welfare programs commonly cost-shared between the federal and provincial governments, delivered by the provinces, and with eligibility determined by a needs or means test. As a contributory, public pension plan, the CPP would now deliver disability benefits and retirement pensions as a right and on a national basis. The CPP was the first public pension law to impose a retirement test for eligibility (Bryden, 1974: 4). The intent, as the original legislation stated, was "to establish a comprehensive program of old age pensions and supplementary benefits in Canada payable to and in respect of contributors" (CCH, 1968).

The primary goal of the CPP disability benefit was to provide, as of right, a reasonable minimum level of income replacement available to workers who experience a prolonged and severe disability. Throughout legislative debates and ministerial speeches and government statements, the entitlement perspective of this earnings-related program was stressed. The policy aim was that the benefit would be non-stigmatizing and provide a degree of protection against the loss of wages due to disability, thus contributing to family income security (National Health and Welfare, 1967).

Three other goals were reflected in the original CPP legislation and thinking behind the disability program's design. The legislation allowed for vocational rehabilitation measures to be funded as part of the CPP and for a three-level appeals system to be established, officially acknowledging the desirability of return to work as well as program fairness and integrity as program goals. In addition, perhaps as important if not more so than the income protection goal, was the consideration given, by governments and business interests especially, to the financial affordability and economic effects of the overall CPP. At the time, concerns were raised over the effects of the CPP on investment markets, private savings, occupational pension plans, and the inflation and growth rates of the Canadian economy. Reflecting these concerns and pressures, governments therefore limited the maximum CPP and QPP retirement benefits to 25 per cent of average earnings, leaving considerable room for private sector pension plans, tax-assisted retirement plans and personal savings to meet the retirement income needs of Canadians.

Concerns over costs also shaped the eligibility rules, indexation formula, and implementation schedule for the new disability benefit. About the initial eligibility rules, a government member remarked many years later, "A look back at the discussions surrounding the development of the CPP makes it clear that no other benefit posed as many problems or raised as many questions as did the disability provisions. The federal

and provincial governments wanted fairly rigorous benefit eligibility rules until some experience had been gained under the new plan" (Tremblay, 1991: 5389).

Table 2
Original Program Design of the Canada Pension Plan and the Disability Component

CPP General Design Features

- Federal and provincial government program with federal administration
- Compulsory contributions from employees, employers and self-employed: 1.8% of salary or wages between $600 and $5100 a year with employers matching, and self-employed contributing 3.6%
- Broad national coverage of working-age population
- A range of risks addressed - retirement, death and disability
- Benefits include: retirement pensions, death benefits, disability pensions, disabled contributors' children benefits, disabled widowers' pensions, orphans' benefits, survivors' pensions and widows' pensions
- Risk pooling with no differentiation of individual rates in relation to types of risk
- Benefits related to contributions and average earnings
- Main goal reasonable minimum level of income support and wage replacement
- Provided as of right to eligible applicants
- Vocational rehabilitation measures permitted
- Three-level appeals system
- Automatic indexation of benefits of not less than 1% and not more than 2% a year
- Benefits are taxable
- Phased implementation with collection of contributions as of 1966, and the payment of retirement pensions in 1967, survivors' benefits 1968 and disability benefits 1970
- Retirement test: applicants must be retired from regular employment
- Eligibility for retirement benefits lowered from age 69 in 1966 to 65 by 1970
- Actuarial report on the CPP account at least once every five years
- Major changes require approval of Parliament plus at least two-thirds of the provinces with not less than two-thirds of the population

Disability Program Design Features

- Benefits a combination of earnings-related (75% of the amount of the contributor's retirement pension – which is an amount equal to 25% of the average monthly pensionable earnings) and flat-rate ($25 multiplied by the ration between the Pension Index for the year against the Pension Index for 1967)
- Eligibility rules for disabled contributors: between the ages of 18 and 65, made contributions for five years, and experiencing a severe and prolonged mental or physical disability
- Must apply in writing and provide a medical report
- At age 65 disability benefits stop and the recipient starts receiving a retirement pension
- For dependent children of disabled contributors: a child 18 or under or between 18 and 25 if attending school or university full-time
- An equal amount for each of the first four children and one-half that amount for each additional child in the family

The original eligibility rules for disability benefits included criterion of age, need, and contributions from past employment. To qualify a person had to be between the ages of 18 and 65, who had made earnings-related contributions to the CPP for a minimum period of five years, and was now experiencing a severe and prolonged mental or physical disability that prevented them from working regularly at a paid job (National Health and Welfare, 1967: 8). The rationale behind these rules was that an applicant for the disability benefit must have had a recent and a substantial attachment to the paid labour force. The notion of an entitlement or right was tied to the mandatory contribution from the potential beneficiary. Funded through required contributions, the disability payment was thus regarded as a pension benefit rather than a public handout.

For the disability benefit to dependent children of a disabled contributor, the original eligibility criteria involved age, an education test, and the number of children in the family. To qualify for a dependent's benefit, a child had to be age 18 or younger or between 18 and to age 25 if he or she continued to attend school or university full-time or, if 18 or older, was disabled and had been so without interruption since age 18. An equal amount was payable for each of the first four children and one-half that amount for each additional child in the family.

The automatic indexation of benefits against inflation, by means of a "Pension Index," was another innovative feature of the CPP legislation. "For the first time in Canada's history of social security, the decision was taken, while drafting the provisions of the Canada and Quebec Pension Plans, to provide for an automatic increase in line with increases in the cost of living" (Guest, 1998: 154). Having benefits pegged to the cost of living index was a provision which took effect in 1968, a year after the first retirement benefits began to be paid. This meant that Canadians were now able to be sure that their pensions would keep up to date in purchasing value, an issue which had troubled recipients of old age pensions, old age assistance and disabled allowances for the previous 40 years. At first, the indexation formula was limited to a year to year increase of not less than one per cent and not more than two per cent. This reinforced the aim of limiting the cost of the CPP, as did the implementation schedule of the plan.

Still another design feature of the CPP was the phase-in of its various dimensions. The CPP came into effect in 1966 with the collection of contributions from employees, employers and the self-employed. Benefits were introduced over the next four years: retirement pensions became payable in 1967, survivors' benefits in 1968, and disability benefits in 1970. Full retirement benefits were not to be payable until 1976. Concurrently, the eligibility age for CPP retirement benefits were lowered to age 65 one year at a time beginning with age 69 in 1966. Similar staged approaches to implementing major social insurance programs took place with the Canada's unemployment insurance scheme in the 1940s, with America's old age retirement insurance in the 1930s and 1940s, and with

Canada's national medical care program over the late 1960s to early 1970s (Berkowitz, 1987; Rice and Prince, 2000). A phased approach was a prudent strategy given the enormous administrative tasks and complexities to be tackled in setting up any single large scale social program, not to mention the crowded social policy agenda of the mid to late 1960s in Canada.

Social Policy Context and Administrative Formation

The establishment of the CPP disability program took place within a political setting of active and substantial reform in social policy, and within an administrative setting of putting into place the required structures, staff and delivery supports.

Within public pension policy of the day, the CPP – as a contributory earnings-related plan – was introduced in a context of the universal Old Age Security (OAS) and the means-tested Old Age Assistance (OAA), both introduced in the early 1950s. The OAA was phased-out by 1969, with some provinces bringing the program under the recently (1966) introduced Canada Assistance Plan (CAP). To complement the OAS and CPP, a new income-tested benefit, the Guaranteed Income Supplement (GIS), for low-income seniors, was introduced in 1967. By the late 1960s, therefore, the public pension system had three-levels of programming: the universal OAS, the selective GIS, and the earnings-related CPP.

Within disability policy, the CPP was introduced in a context of the Vocational Rehabilitation of Disabled Persons (VRDP) program and the CAP. Introduced in 1961, the VRDP offered agreements to the provinces and the territories of federal sharing of 50 percent of the costs for a range of services designed to help people with physical or mental disabilities become capable of pursuing a gainful occupation. Ottawa's financial offer was open-ended, a function of how much provinces/territories wished to spend on these rehabilitation services. Provinces entered into two or three year agreements with Ottawa which were regularly renewed from the 1960s to the late 1990s when the VRDP was replaced. Under the VRDP, the federal government specified the terms for obtaining cost sharing, and the provinces were solely responsible for the administration of their programs, including the design, eligibility requirements and mode of delivery. VRDP benefits and supports were provided directly by provincial government departments and agencies or through provincially supported voluntary agencies. With the exception of maintenance/training allowances, personal financial need was not a consideration for eligibility and provision.

CAP was the invention of federal and provincial social service ministers and senior program officials with a broadly shared vision of building a more comprehensive and progressive social security system for the country. Of direct relevance to this paper is the fact that much of CAP's origins lie in disability policy. CAP consolidated a number of welfare programs, including the cost-shared programs under the *Old Age Assistance Act*, 1951; the *Blind Persons Act* of 1951; the *Disabled Persons Act* of 1954; and, the *Unemployment Assistance Act* of 1956. In relation to these earlier programs, CAP's

conditions marked a significant change in social policy. These conditions were that assistance be assessed on only a needs-test; that there be no residency requirement for income assistance applicants; that provinces establish formal system of appeal for their welfare administrations; and that annual audits and records be provided to the federal government.

To oversee formulating the plan's administrative infrastructure, the first director of the CPP was appointed to the Department of National Health and Welfare in 1965. In those early years, more than 200 staff were recruited and trained; and close to 40 full-time district offices and over 100 local offices, operating part-time, were set up across the country. Within the federal bureaucracy, an interdepartmental co-ordinating committee was formed, and a CPP Advisory Committee of external members, mandated by the legislation, also was created. Numerous regulations, policies, procedures, forms and systems were developed, including orders-in-council regarding the new system of Social Insurance Numbers for over 9.6 million Canadians. A public information program was launched. Liaison with the new Quebec Pension Board had to be developed and managed, and a series of agreements were signed with foreign governments to bring their locally employed staff under the coverage of the CPP (National Health and Welfare, 1967).

A three-stage appeals process with respect to benefits was set out in the legislation and needed to be established. The first level of appeal was to the Minister, delegated, under regulations, to an assistant deputy minister or director general of CPP, for reconsideration. The second level of appeal would be to a review committee set up within the department, composed of three people, one appointed by the appellant, one by the Minister and a third agreed to jointly. The third level would be to the Pension Appeals Board. According to Judy LaMarsh, the Minister of National Health and Welfare who oversaw the passage of the law, the three-level process was "modelled somewhat along the lines of the appeal procedure in the United States old age security legislation" and was "designed to give us a simple, expeditious and inexpensive disposition of decisions relating to matters under the act which affect individuals" (LaMarsh, 1965: 11846). Work on establishing the appeals system began in 1965-66, including the development and approval, of rules and procedures, and the establishment of the Pension Appeals Board (PAB). With a view to ensuring consistency in judicial decisions, negotiations with Quebec resulted in the PAB being designated as the review commission for the purposes of the QPP (National Health and Welfare, 1967: 25-26).[7]

New Policy Process Dynamics

As a new social program of major proportions, the CPP was not just a pension policy with various kinds of benefits, but also a set of values, practices and rules which together

[7] The initial three members of the Pension Appeals Board were a Judge of the Superior Court of Quebec as chair, and, as members, a Justice of the Court of Appeal in Manitoba and a Judge of the County Court in British Columbia (National Health and Welfare, 1967).

created some new dynamics for policy making. As we will show throughout the rest of this paper, these dynamics have had important consequences for the development of the CPP in general and the disability program.

The origins of the CPP disability program were closely entwined with a broader approach to progressive social policy and cooperative federalism, and to the electoral strategy by the Liberal Party of Canada. A national disability program would not have happened in Canada in the 1960s without the larger reform project of establishing a contributory retirement pension plan. This larger scheme provided the vehicle on which to add the disability pension program, providing income support for the non-elderly. A separate national disability insurance program had been an idea considered by some federal government officials among others, but the idea was not really on the political agenda of the country in this period. Nor, as we will discuss later, did a comprehensive disability program become a reality in the 1980s, even though it had been suggested by various experts and was studied by an intergovernmental working group of officials.[8]

The actual authority to establish the disability program came, of course, from provincial agreement to a constitutional amendment, while the particular program design features came from policy work done by the Liberal Party and, more intensely, within the federal bureaucracy, plus in negotiations between the federal and provincial government, most significantly between Ottawa and Quebec.[9] As part of a federal-provincial program, the CPP disability program became subject to an amending formula, put in the legislation, requiring agreement of Parliament and at least two-thirds of the provinces having not less than two-thirds of the population to any future changes to the level of benefits, the rate of contributions or the investment policy. This necessity of a substantial intergovernmental consensus meant that executive federalism became a critical arena for reforming the CPP, thereby limiting the role of Parliament as a change agent by itself.

The fact that Quebec established its own pension plan similar to the CPP produced what may be called a systemic goal of parallelism, that is, maintaining a close degree of consistency between program provisions in the CPP and QPP. The wish to ensure uniformity in public pension standards has meant that changes in one plan, often the Quebec plan, generated pressure to amend the other plan in order to restore comparability. This was quite apparent in the 1987 reform to the flat-rate portion of the CPP disability benefit.

The original legislation also contained several public reporting requirements, a feature today called transparency and accountability. At least once in every five years, the federal government's Chief Actuary was to prepare a report based on an actuarial examination of

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[8] Indeed, the idea of a comprehensive national disability income plan arose again in the mid 1990s, by provincial governments, followed by yet another federal-provincial working group examining the concept with no major results (Torjman, 2001).

[9] Key actors included David Croll, Tom Kent and Keith Davey of the Liberal Party; Joe Willard, Richard Splane, Robert Bryce and Gordon Robertson of the federal civil service; Judy LaMarsh, Walter Gordon, Maurice Lamontagne and Maurice Sauve, of the federal cabinet; Prime Minister Lester Pearson and Premiers Jean Lesage of Quebec and John Robarts of Ontario, and certain of their ministers and officials. For further details see Simeon (1972), Kent (1988) and Bryden (1997).

the legislation and the state of the CPP account, including projections for a period of at least 30 years. A CPP Advisory Committee was established, and to provide an annual report to the Minister of National Health and Welfare who, in turn, was to include the Advisory Committee's report in his or her own annual report to Parliament on the administration, programming and financing of the CPP.

The legislation further stipulated that any federal action to amend the CPP must have a study done by the Chief Actuary, with that information placed before Parliament to inform consideration of any proposed amendments. These provisos illustrate how the perspective on financial sustainability and affordability was firmly rooted in the CPP from its beginnings. They also helped to ensure that financial concerns were systematically placed on political and policy agendas, conveying a message every few years about the immediate and longer-term sustainability of the CPP.

POLICY IMPLEMENTATION, ADAPTATION AND REFORM IDEAS: 1970 – 1986

The years 1970 to 1986 mark the second phase in the development of CPP disability policy. During this period the emphasis by governments was on implementing the CPP, making a series of modest adaptations to eligibility and benefits, and, from the late 1970s to the mid 1980s, engaging in a significant process of pension reform analysis, debate and recommendations. Disability benefits first became payable in 1970 and with that there was a large increase in appeals of decisions on disability pension applications. Also as of 1970, retirement pensions became payable to contributors who were age 65 and older. Throughout this period the retirement test of age 65 and the combined contribution rate of 3.6% remained unchanged, with the CPP in a "surplus" into the 1980s. During this period then, extensions to benefits and liberalization of eligibility rules were not accompanied by increases in contribution rates, as has been the case in the more recent phases of CPP policy development.

Growth of Caseloads and Appeals

The implementation of the disability benefits for adults and children had an immediate and significant impact on the organization structure, caseload and appeals system of the CPP program. In the Department of National Health and Welfare, the Disability Determination Division, which had been part of the Health Services Branch, was transferred in 1972 to the CPP Branch , making it easier to integrate the work with disability benefits (National Health and Welfare, 1972: 3).

Within five years of being introduced, the average monthly number of disability benefits for eligible contributors and children numbered about 50,000, climbing to 100,000 by 1980 and reaching 200,000 recipients by the mid 1980s. As a percentage of total CPP benefits, the disability benefits rose to about a 10 per cent share by 1975, and stayed at the level for the rest of this period. Disability expenditures quickly came to constitute

between 13 and 14 per cent on average of total CPP expenditures for the period, paying out over $1.1 billion in disability benefits by 1985-86.

Reasons for this continual growth in the disability caseload related to growing public awareness of the program; the ever-increasing and aging Canadian population and work force; modest legislative changes in easing eligibility requirements and enhancing benefits; and, "changing labour market conditions resulting in the unemployment of older workers, referrals to the CPP by provincial social assistance programs and referrals to CPP disability from insurance companies which also were experiencing an increase in applications" (Torjman, 2001: 20).

A statement in the *1971-72 Annual Report for the CPP* captures the impact on disability benefit applications and appeals this way:

> As anticipated with the advent of disability benefits in 1970, which are difficult to decide, the number of appeals increased greatly with approximately 95 per cent of them stemming from disability cases. This growth has taken place despite the fact that about 80 per cent of disability applications are approved for payment (National Health and Welfare, 1972: 4)

Statements similar to this one reappear in CPP annual reports throughout this period. Table 3 presents information on the number of appeals on CPP disability benefits by level for the years, 1969-70 to 1984-85.

Table 3
Appeals on CPP Disability Benefits by Level, 1969-70 to 1984-85

Fiscal Year	To Minister	To Review Committee	To Pension Appeals Board	Total
1969-70	98	-	3	101
1970-71	232	20	3	255
1971-72	700	45	4	749
1972-73	1,750	250	45	2,045
1973-74	2,025	369	114	2,508
1974-75	1,800	274	55	2.129
1975-76	1,500	257	48	1,805
1976-77	2,300	300	35	2,635

1977-78	2,900	330	50	3,280
1978-79	3,197	282	77	3,556
1979-80	5,623	648	85	6,356
1980-81	4,385	480	125	4,990
1981-82	5,760	560	175	6,495
1982-83	5,025	425	205	5,655
1983-84	4,633	367	195	5,195
1984-85	7,299	719	66	8,084

Source: *Annual Reports for the Canada Pension Plan*. The figures of appeals to the Minister for 1971-72 and 1972-73 are approximate figures, as given in the reports.

Some of these factors behind the growth in disability caseloads raise issues about the program's integrity and its connections with related income support programs of provincial governments and private sector insurers. It was not until the 1990s, however, that a strong effort was taken by federal officials to build information-sharing agreements with provinces and private insurers. Moreover, it was not until the late 1980s and 1990s, following major expansion of benefits in 1987 and 1991, that the financial sustainability of CPP disability expenditures became a hot political issue.

During the 1970 - 1986 period, concerns centred more on the administration of the disability appeals system, with complaints from applicants, questions by Members of Parliament, and audits and critiques from the Auditor General (Auditor General of Canada, 1985). Concerns involved the adequacy of information and communication between applicants and the department; the time taken to process applications, hold hearings and render decisions, resulting in frustrations and backlogs; and the absence of rules, procedures and control systems for effectively and efficiently managing the disability program. "As a result of a review of the appeals process," the 1984 annual report for the CPP noted that, "the Administration has established time standards for the first two levels of appeals and an automated monitoring system. ... [to] help reduce the processing time and provide pertinent data for management's review" (National Health and Welfare, 1984: 13).

Legislative and Other Policy Developments

No sooner had the disability benefits begun to be paid out in 1970, that proposals for amending the CPP, including the disability component, emerged from federal sources. As we will see, a number of these proposals resulted in changes to the CPP and the disability program over the next dozen years or so. One such source of reform ideas was the 1970 *Report of the Royal Commission on the Status of Women*, which "threw attention onto the state as the primary sector in society for addressing many of the concerns and claims of women for equality and equity" (Rice and Prince, 2000: 95). Some of the measures to advance women's equality entailed making changes to the CPP and the QPP, and the Royal Commission report was certainly an input to that debate.

In November 1970, the federal government released a white paper on *Income Security for Canadians*, by the Minister of National Health and Welfare, John Munro. In it, the government argued that priority be placed on anti-poverty measures, to better concentrate available resources on those individuals and families with the lowest incomes in Canada. The main focus was on converting the universal family allowance to a selective family income security plan. This new emphasis, away from universal programs and toward more selective programs, also envisaged an important role for social insurance programs, such as the CPP, in alleviating poverty. The white paper noted that, "there is a very uneven distribution of income protection for retirement, disability and survivors available through private industry" (Munro, 1970: 47). In retirement income policy, the proposed strategy was threefold: freeze the universal OAS at current benefit levels, target future increases to the selective GIS, and make several changes to the CPP in consultation with the provinces. Proposals for reforming the CPP included an increase in the maximum retirement benefits as well as in the flat-rate portion of disability benefits; and a new benefit of $80.00 per month for wives of disabled contributors under age 65 with dependent children to support (Guest, 1998: 267).

In the October 1972 federal election, the Trudeau Liberals lost their majority status, forming a minority government with support from the third party, the New Democrats. The effect of this balance of power in Parliament for social policy and pension reform was quick and direct. In April 1973, the new federal Minister of National Health and Welfare, Marc Lalonde, released a *Working Paper on Social Security in Canada* (Lalonde, 1973), which rejected the selective philosophy espoused in the 1970 white paper, and in fact recommended enriching the universal Family Allowances and OAS programs.

The *Working Paper* did, nonetheless, reaffirm the white paper theme that social insurance programs ought to be the first line of income protection against retirement and disability or death, supplemented by private pension arrangements. Reform ideas on the CPP included a full cost of living adjustment of benefits. At an intergovernmental conference in October 1973, federal and provincial representatives agreed to the full indexation of CPP benefits along with some other changes, but not disability measures. It was decided that the question of the value of disability benefits would be given attention at future federal-provincial meetings (Bryden, 1974: 181-82).

Over the next ten years, several amendments and other policy changes were made to the CPP, most of which had direct or indirect significance for disability benefits and programming. These developments are summarized in Table 4.

Table 4
Key Amendments and Policy Changes to the CPP, 1974 – 1983

Year	Development	Policy Perspective
1974	Raising of the year's maximum pensionable earnings	Income protection: Ensuring pension benefits equal the average of industrial wages over time
1974	Removal of the ceiling on the Pension Index, to allow full annual cost-of-living indexation of benefits	Income protection: Offsetting the risk from inflation to income adequacy of benefits
1974	Elimination of the retirement and employment earnings test for retirement pensions for people age 65 to 70	Income protection: Allowing retirement recipients to continue working beyond age 65
1975	Guarantee that benefits are available to both male and female contributors to the CPP, as well as to their surviving spouses or common-law partners and dependent children	Gender equality and societal trends in income protection: Recognizing trends in public opinion, labour force participation and changing family forms
1976	To be eligible for disability benefits, a contributor must have contributed for any five whole or part calendar years in the last ten-year period	Income protection: Introducing flexibility in the period required to accumulate the necessary length of contributions.
1978	Permit the splitting or division of CPP credits earned by one or both spouses upon dissolution of the marriage	Gender equality and societal trends in income protection
1978	Elimination of reductions in children's benefits so that each child receives an equal amount even if there are four or more children in the family eligible for the disabled contributor's benefits	Income protection: Contributes to financial security of family
1979	First International Social Security Agreement signed between Canada and Italy	Income protection: Allows for the portability of benefits, including CPP disability pensions
1983	Exclusion of periods of zero or low earnings while caring for a child under the age of seven	Gender equity in income protection: Improves the value of average lifetime pensionable earnings, typically for women, for determining benefits

Source: *Annual Reports for the CPP*, selected years.

This was an active period of policy developments in the CPP, in response to a number of factors. One was the rising rate of inflation in the late 1960s and 1970s, provoking concerns about the declining value of pension benefits. A second factor was the growing influence of the women's movement in Canada, catalyzed in many respects by the work of the Royal Commission on the Status of Women. The issue of pensions and the goals of gender equity and equality were major concerns voiced by women's groups throughout this period, reinforced by the growing participation of women in the Canadian labour force juxtaposed with the continuing poverty among many elderly women. A third factor

was the major increase in marriage dissolutions and in remarriages, in the aftermath of changes to the *Divorce Act* in 1969, which, at that time, expanded considerably the grounds for divorce. A fourth factor was that some of these changes were first adopted by the Quebec Plan. In the case of the drop-out provision for child care, for example, introduced to the QPP in the mid-1970s, it did not become part of the CPP until the early 1980s when Ontario government abandoned its veto of the provision.

The common perspective informing these changes was to provide an improved level of income protection. Some changes were redefining entitlement in relation to the equality of status between men and women. The splitting of pension benefits upon marriage breakdown not only gave women fairer treatment, but also shifted the view of spouses from dependants of contributors to partners in marriages. Many other pension issues were discussed in the 1970s but not taken up, most notably perhaps was the complex and controversial idea of a homemakers pension to be delivered through the CPP and QPP (Guest, 1998: 188, 220-22).

The end result of the changes outlined in Table 4 was that disability benefits, like all other CPP benefits, were now adjusted each year to reflect the full increase in the cost of living as measured by the Consumer Price Index. In addition, the contribution requirement for qualifying for disability benefits was eased somewhat;[10] children's disability benefits were improved no doubt for a small portion of eligible families; gender equality was provided for in a range of benefits; and, with the introduction of international social security agreements, disability benefits were now portable across signatory nations.

The Great Canadian Pension Debate: Proposals for Reforming CPP Disability

In 1977, NDP Member of Parliament Stanley Knowles suggested to the federal government that the minimum contributory requirement for CPP disability benefits be reduced to one year attachment to the labour force. The Minister of National Health and Welfare responded by referring the suggestion to the CPP Advisory Committee. In a June 1980 report, the Advisory Committee rejected Knowles's proposal of a single year's contributory requirement, although they had alternative ideas which became part of federal-provincial discussions on comprehensive pension reform in the early to mid-1980s. This is but one small example of what became to be called the Great Canadian Pension Debate.

From about 1978 to 1985, there was an extensive and intensive set of consultations, discussions and recommendations on reforming the retirement income system, sections of it, or specific programs. Drivers behind the debate included the inadequate coverage of workers by occupational pension plans, the insufficient protection of private plans and personal savings against inflation, deficiencies in the vesting and portability of most

[10] Prior to 1976, a contributor was eligible for disability benefits after making contributions in five calendar years. As of 1976, a contributor must have contributed for any five whole or in part calendar years in the last 10 year period (National Health and Welfare, 1975: 10).

workplace pension plans, and the continued precarious status and inequitable treatment of women, elderly and non-elderly alike, under the pension system. A related factor relevant to this study was that 1981 was the United Nation's International Year of Disabled Persons. The pension debate was joined by federal and provincial governments as well as by economic, financial and social organizations, and produced "a prolonged, animated and polarized public policy review" (Deaton, 1989: 107). Our interest, of course, is to discern the place of CPP disability benefits within all this sound and fury.

Table 5 offers a summary of CPP disability reform recommendations by various governmental and parliamentary bodies and business and labour organizations over the 1978 to 1985 period.

Table 5
Canadian Thinking on CPP Disability Reforms, 1978-1985

Source	C/QPP Disability Reform Recommendations
Quebec Government CONFIRENTES+ *Financial Security of Older Persons in Quebec* (1978)	Maintain current benefits Improve benefits for those under 35 with dependent children
Economic Council of Canada *One in Three: Pensions for Canadians to 2030* (1979)	The federal and provincial governments should consider easing the CPP and QPP disability provisions and expanding the disability program so that the qualifying level of disability would increase with age
Government of Canada Federal Task Force on Retirement Income Policy *The Retirement Income System in Canada: Problems and Alternatives* (1979)	No specific recommendations or options
Parliament Special Senate Committee on Retirement Age Policies *Retirement Without Tears* (1979)	No specific recommendations Noted that mental and physical disabilities are social problems not dealt with adequately in the private sector Strongly in favour of increasing CPP benefits over a five-year period from increased contributions
Ontario Government *Report of the Royal Commission on the Status of Pensions in Ontario* (1980)	No specific recommendations Generally opposed to raising CPP benefits
Parliament Standing Committee on the Disabled and the Handicapped *Obstacles* (1981)	Expand the disability benefit by raising the flat-rate portion to that of the QPP (which had been raised a few years earlier) Ease the definition of disability in the program Allow earnings and more assets to be retained by recipients without reducing benefits In long term, implement a Comprehensive Disability Insurance Program
Government of Canada National Pensions Conference (1981)	No consensus or specific recommendations Primary focus on private pensions for retirement
Canadian Labour Congress *The CLC Proposal for Pension Reform* (1982)	Raise the flat rate of the disability benefit to the level of the OAS

	Raise the earnings-related component to 100% of the retirement benefit to which the contributor would have been entitled had they been 65 at the time of the disability
Business Committee on Pension Policy (A coalition of nine business organizations) *Consensus Statement* (1982)	No specific recommendations Generally opposed to raising CPP benefits
British Columbia Government *Developing a Pension Policy for the Future* (1982)	No specific recommendations
Government of Canada *Better Pensions for Canadians* (1982)	Federal Green paper which noted that discussions were underway with provinces in regards to increasing the flat rate benefit to the level of the OAS; increasing the maximum earnings-related benefit to the maximum retirement benefits; and reducing the minimum contributory requirements to contributions in one of the last two years
Parliament *Report of the Parliamentary Task Force on Pension Reform* (1983)	Discussed sympathetically on the need for a significant and early increase in benefits, yet made no specific recommendations Commented that recommendations had been made by the *Obstacles* report and the federal Green Paper
Government of Canada *Action Plan for Pension Reform: Building Better Pensions for Canadians* (1984)	Noted that discussions with provinces on federal proposals still in process
Government of Canada *Changes Proposed to Canada Pension Plan* (1985)	Tentative agreement between Ottawa and provinces to increase the flat rate portion of disability benefit from $88 per month to $224 per month, as under the QPP

Source: Prince (1985) and Burbidge (1987).

This overview points out the "poor sister" profile of CPP disability benefits as a policy issue in the overall pension reform debate. Several of these key pension reform documents were silent on the question of CPP disability. This may not be all that surprising. Indeed, the prime focus of the retirement income policy debate was on the private pension system – with its issues of coverage, inflation protection, vesting, portability and survivors benefits. Within the public system, most political attention seemed focused on improving tax assistance for retirement savings, addressing poverty among current elderly women, and, the great unresolved issue, of whether to significantly expand the income replacement role of the CPP.

In addition, Table 5 reveals a correspondence between certain interests and certain positions on pension reform (Prince, 1985; Deaton, 1989). By and large, business groups and financial industry studies expressed opposition to expanding the CPP disability program, while provincial government studies paid little if any attention to this branch of the CPP. Provincial governments engaged with these reform ideas through intergovernmental arenas in response to federal proposals advanced in the early 1980s. It was organized labour along with disability organizations and political bodies at the federal level that addressed CPP disability and put forward definite proposals for liberalizing eligibility and benefits and for improving related program elements.

In sum, the CPP disability reform proposals addressed the policy purpose of income protection and entitlement. Issues the recommendations dealt with included whether a disability insurance program actually belonged in the CPP or was better placed in a comprehensive disability insurance program; improving awareness of, and access to the disability program; "the degree of administrative discretion exercised in interpreting eligibility criteria [which] may result in inconsistent standards being applied or in standards being relaxed as unemployment increases;" lowering the minimum contributory requirement to ease access; and the sense that "current benefit levels do not reflect living standards" (House of Commons, 1981: 53; House of Commons, 1983: 33; Canada, 1982: 34).

During the last Liberal government of Pierre Trudeau, from 1980 to 1984, pension reform was a high social policy priority, but a social priority competing for attention and resources against a new national energy policy, intense constitutional reform efforts and the mounting fiscal challenges associated with a serious economic recession. The Minister of National Health and Welfare, Monique Begin, was clearly an active champion of pension reform, favouring a significant expansion of CPP disability benefits and the liberalization of eligibility rules. The February 1981 *Obstacles* report by the House of Commons Standing Committee on the Disabled and the Handicapped called for the gradual establishment of a comprehensive disability insurance program, integrated with the CPP and QPP benefits on an actuarially sound basis. In the short term, the Committee called for expanding the CPP disability benefit flat-rate component to an amount at least equal to that of the QPP; enlarging the definition of disability to include more people; allowing earnings on a sliding scale while in receipt pf benefits; and providing for special needs of pensioners with disabilities (House of Commons, 1981: 53).

The Standing Committee knew that the federal government would be hosting a National Pensions Conference later in the Spring of 1981 and therefore suggested that the Conference examine all aspects of disability with respect to public and private pensions. Disability pensions were not, however, on the agenda. "The Minister of National Health and Welfare decided that the primary focus of the Conference should be the subject of the greatest concern to the largest number of Canadians – private pensions for retirement" (Secretary of State, 1985: 95). The Conference, which was opened by Prime Minister Trudeau, examined the issues of inadequate coverage, portability, vesting, and inflation protection of occupational pension plans. A federal government position on pensions was planned for July 1981, as a follow-up to the Conference, but it was delayed until December 1982, in the form of a Green Paper – a document in which a government sets out its thinking and invites reactions to those ideas. No doubt, the delay was due to the Conference failing to achieve broad consensus on pension reform directions. High expectations for the Conference were dashed by deep differences between business organizations and other groups over what the problems were and what then should be the solutions.[11]

[11] The corporate sector in Canada was also quite angry about the 1981 federal budget, which planned the closure or tightening of numerous tax breaks for business firms. As the recession deepened through 1981

Before the federal government produced its Green Paper, Begin took action in the intergovernmental arena using the recommendations and momentum generated by the *Obstacles* report. In December 1981, Begin proposed four improvements to the CPP disability for discussion at a federal-provincial conference in January 1982.[12] The proposals were, first, to raise the earnings-related part of the disability benefit from 75 per cent to 100 per cent of a contributor's imputed retirement pension (that is, from $230 per month to $307 per month); second, to raise the flat-rate potion so that it equalled the OAS pension (that is, from $71 per month to $228 per month); third, to lower the minimum requirements for eligibility for a CPP disability pension from five years over the past 10 years to contributions in one of the last two years; and fourth, that the CPP contributory period over which earnings-related benefits are calculated, end in the month in which the contributor is deemed to have become disabled rather than three months later (National Health and Welfare, 1984; Secretary of State, 1985). Presented to provincial Ministers of Social Services early in 1982, the proposals were linked to a federal-provincial task force set up to examine the issue of comprehensive disability income protection in Canada.

When the federal government's Green Paper on the retirement income system finally came out in December 1982, it cautioned that "pension reform will of necessity be a lengthy process because of the time required for consultation, negotiation, legislation and implementation" (Canada, 1982: iii). The reform proposals put forward in the paper were referred to a Parliamentary Task Force to allow for further public debate and consultations. With respect to CPP disability benefits, the paper noted that the federal government was already discussing improvements with the provinces. Because of the intergovernmental process, when the Parliamentary Task Force reported in December 1983, it made no recommendations on disability benefits.[13]

The federal-provincial task force, formed in February 1982 to study the federal proposals and the wider question of a comprehensive disability insurance plan, completed its work in September 1983. Federal and provincial Ministers of Social Services agreed that further policy work was warranted. "In this phase, the task force was asked to develop

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and into 1982, Ottawa's focus shifted to matters of inflation and soaring mortgage rates, deficit management and economic recovery.

[12] Begin accepted many though not all of the recommendations from the *Obstacles* report dealing with disability income support. On the proposal that special needs for disabled pensioners be provided under the CPP, Begin did not agree, apparently feeling "that such a provision would involve a drastic change and expansion of the administrative structure of the CPP disability program." Such special needs, Begin felt, were "more appropriately addressed through provincial programs" (Secretary of State, 1985: 87). Likewise, the Trudeau Liberal government did not take up the recommendations that an income-tested flat-rate disability supplement be added under the Canada Assistance Plan or that an extended benefit for unemployed disabled workers be provided under the Unemployment Insurance plan.

[13] Interestingly, the Parliamentary Task Force on Pension Reform did devote a half page to disability benefits even though no disability organizations appeared as witnesses or made submissions. Furthermore, the CPP disability program was not an explicit part of the Task Force's mandate and order of reference from the House of Commons. Most political and policy attention was on tackling poverty among current seniors, especially single elderly women, and on the issue of a homemakers pension.

detailed design options for comprehensive disability protection, and to report back by December 1985" (National Health and Welfare, 1986: 6-19).

The Trudeau government's concluding statement on pension reform accompanied their final budget of February 1984. In their *Action Plan for Pension Reform* (Lalonde, 1984), the Liberals concentrated on raising the minimum standards of private pensions, enhancing tax assistance for retirement savings, and improving public pensions in a few select ways. With respect to improving public pensions, the main action was a $50 increase in the monthly GIS for the single elderly, introduced in two stages in June and December 1984. On the CPP, proposed Liberal reforms included splitting of pension benefits upon marriage breakdown or when the younger spouse reaches 65; continuation of survivor benefits on remarriage; and, the raising of pensionable earnings to the average industrial wage by 1987. The action plan noted that there was widespread public support for these changes. Other changes to the CPP were to be discussed with the provinces later in 1984, and the Liberals were "particularly interested in pursuing discussions about ... a homemaker pension." Also on the agenda were the federal proposals for improving the CPP disability benefits, and the raising of contributions to pay for the current benefits levels and future improvements. These issues, the action plan stated, "are complex and require further discussions with the provinces and other interest groups before action can be taken" (Lalonde, 1984: 14). The implications of Ottawa's proposals were an almost doubling of the maximum benefits paid to contributors, that would provide income support comparable to that under the OAS, and a significant lowering of the eligibility requirements.

Changing Governments, Continuing Processes

Although governing parties changed in Ottawa in September 1984, with the election of a massive Progressive Conservative government under Brian Mulroney, the federal and federal-provincial processes set in motion around pension reforms continued. In the Conservatives November 1984 Speech from the Throne, pension reform was a prominent theme with several promises very similar to those expressed in the Liberal's final budget eight months before. These promises became concrete in the Conservatives' May 1985 budget, which announced proposed reforms to tax incentives for retirement savings, and amendments to the *Pension Benefits Standards Act*, which governs plans established by companies in federally-regulated industries. As previously planned, over 1984-85 the Department of National Health and Welfare began sending CPP contributors periodic statements on benefits earned and accumulated contributions, along with a description of the Plan. Another part of the public education campaign on CPP was a booklet released jointly by the Ministers of Finance and National Health and Welfare, Michael Wilson and Jake Epp. *The Canada Pension Plan: Keeping It Financially Healthy* (Canada, 1985a) reassured Canadians the CPP was on sound financial footing, but it also argued the need for an increase in contributions at an early date to keep the Plan in a healthy financial state. Echoing a point made in the Liberal's *Action Plan*, the Conservative Ministers' booklet said: "Since 1966, CPP benefits have been improved a number of times, but

premiums have not gone up to pay for them. New financing arrangements will have to take this into account" (Canada, 1985a: i).

Finance Minister Wilson agreed to a provincial consensus proposal that employee and employer CPP contributions be increased. In December 1985, Wilson released a document, *Changes Proposed to Canada Pension Plan* (Canada, 1985b), which summarized the tentative agreement reached between the federal and provincial Finance Ministers on changes in financing the CPP and on certain reforms to benefits. The flat rate portion of the disability benefit would increase from $88 per month to $224 per month, bringing it into line with the prevailing QPP disability benefits.[14]

Attempting major pension reform in Canada can be a lengthy exercise. It occurs within a series of processes involving an assortment of policy actors and arenas, with varied decision making rules, constraints and opportunities for making or stalling change. In the areas of elderly income benefits (the OAS, GIS and Spouse's Allowance), pension standards legislation for certain industries, and tax assistance for retirement savings (such as RRSPs and RPPs), the federal government had the authority to make changes without the necessity of gaining the approval of provinces. By contrast, the CPP as a policy area of shared jurisdiction, required proposals, consultations, negotiations, amended proposals, further negotiations, and so on. When Monique Begin left office in 1984 as Minister of National Health and Welfare, she had achieved notable successes in raising the benefit levels of the GIS for the low-income single elderly as well as seeing the landmark legislation, the *Canada Health Act,* enacted. Begin also spent considerable time defending existing social programs from cutbacks. This was no small achievement in the face of a serious recession and escalating deficits over the 1980-84 period. Reform of the CPP, however, was unfinished business.

As the lead social policy minister, Begin had done what she could within federal jurisdiction, by convening the National Pensions Conference in 1981, co-sponsoring the 1982 Green Paper, using a parliamentary task force on pensions to hold cross-country hearings and report back by December 1983, and getting pension reform profiled in the February 1984 budget. Begin's department also conducted surveys of CPP disability applicants (National Health and Welfare, 1983) and CPP disability benefit recipients (National Health and Welfare, 1982) to generate up to date information on the characteristics and unmet needs of this clientele, for use in the policy debate and cabinet decision making.[15] But time ran out for Begin and the Trudeau Liberals. Public pension

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[14] In the event both parents died or became disabled, the CPP orphan benefit of $88 per month was to be doubled in value. There was insufficient support among provinces and the federal government to expand the survivors benefit to keep it in line with QPP rates. Consequently, Ministers agreed to leave the flat-rate portion of CPP survivor benefits at about $84 per month compared to the $275 under the Quebec Plan (Burbidge, 1987: 84). Proposed changes to the CPP survivor and children's benefits were set out in a federal consultation paper in September 1987 and referred to a parliamentary committee for hearings and feedback. Negotiations with the provinces on possible legislative amendments were conducted through 1988 and 1989, and, in response to provincial responses, the federal government was refining policy options into 1990. This is yet another illustration of how pension reforms can be a lengthy process.

[15] Internal program evaluations and surveys done by the Income Security Branch of National Health and Welfare found that CPP disability benefits were the single most important source for many recipients,

reform remained a work-in-progress within the ministerial and administrative committees of executive federalism.[16] Without a doubt, though, the seeds for much of the next period of growth in the CPP disability program had been planted in the early to mid 1980s.

THE LIBERALIZATION OF CPP DISABILITY BENEFITS AND ELIGIBILITY: 1987 - 1993

Retirement income reforms and CPP disability program developments over the 1987 to 1993 period had clear links to the earlier pension debates and reforms proposals. Connections were apparent in the changes the Mulroney Conservative governments made to minimum standards in occupational pension plans, to increases in tax assistance for retirement savings vehicles, and to broader definitions of disability for income tax purposes for tax deductions and tax credits. The influence of previous pension debates and thinking was equally apparent in reforms to the CPP. An intergovernmental consensus on CPP reforms was reached by late 1985. Federal legislation on these changes was approved by June 1986, with the changes taking effect in January 1987. Pension reform also exhibited choices and processes relatively distinctive to the Mulroney governments (Prince, 1992). Despite the Mulroney Conservatives' preoccupation with deficit control and expenditure restraint during their eight years in power, the CPP disability program, as well as other disability programs, were largely shielded from this restraint agenda and, in fact, were at times enriched.[17]

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accounting for nearly one-third of all the income reported, and that benefit levels were too low and ought to be increased.

[16] Consider the intergovernmental process for examining a comprehensive disability income protection program. A working group of federal and provincial officials was established in February 1982 to begin analyzing this idea, promoted by the 1981 *Obstacles* report. Five years later, federal and provincial Ministers of Social Services were still considering reports of the working group. A 1987 federal document noted, in a classic statement of bureaucratic cautiousness, that the Minister of National Health and Welfare had requested his departmental staff " to do some exploratory work to clarify the technical issues. When this is done, he will be in a better position to consider possible courses of action" (Secretary of State, 1987: 31). Further federal and intergovernmental work was done on the idea of a comprehensive disability income plan into the early 1990s. It then seemingly disappears from being mentioned in federal government documents.

[17] Over several budgets between 1986 to 1991, the Mulroney government de-indexed and then froze the formula for determining transfer payments to the provinces for post-secondary education and health care. In 1990, they also introduced a ceiling on the federal share of increased transfers under CAP, for social assistance and social services, to Alberta, Ontario and British Columbia, the three "have-provinces" not in receipt of equalization payments. Also introduced in the 1990 federal budget was an expenditure control plan which was broadened and extended in the 1991, 1992 and 1993 Conservative budgets. Exempt from this control plan were elderly benefits (OAS, GIS and Spouses' Allowances), veterans income programs, the CPP, and other special programs for persons with disabilities. However, staring in 1990-91, and phased-in over three years, the OAS was subject to a claw-back, through the income tax system, of benefits from higher income seniors.

Shaping the 1987 Reforms

When the Minister of National Health and Welfare, Jake Epp, introduced Bill C-166, the legislation to amend the CPP, he rightly called it "the culmination of several years of consultation ... on the subject of pension reform" with the provinces, parliamentarians, and Canadians. Shortly after the Conservatives formed the government in September 1984, discussions "were put in high gear" between National Health and Welfare and Finance officials on the side, and provincial governments on the other. Within a year an agreement was reached. According to EPP, the concerns that dominated federal-provincial discussions were fourfold: "maintaining the long-term health of the Plan's fund; second, ensuring the affordability of premiums paid by working Canadians and their employers; third, adapting benefits to the changing needs of Canadians; and fourth, maintaining parallelism between the CPP and the QPP." In particular, Epp placed strong emphasis on thoroughly taking into account the financial sustainability of the reforms to be introduced. "Of course, improvements in social programs must always be carefully considered by the Government in light of present and projected financial considerations. Indeed, because expenditures on social programs normally involve a continuing and escalating outlay there is probably no area of spending that must be subject to more careful thought" (Epp, 1986: 14250).

The legislation to amend the CPP passed swiftly through the House of Commons in June 1986, in a process and climate marked by non-partisanship and cooperation between the government and the opposition parties.[18] With good justification, Epp called the legislation "one of the most important Bills that the Government will introduce during its present mandate." The reforms would have far-reaching implications and significant improvements for many individuals, although the Minister assured with "only a moderate impact upon long-term costs of the plan" (Epp, 1986: 14251).

Among the major changes to the CPP that came into effect in 1987 were:

- a new 25 year financing schedule with the first increase in the contributions rate since 1966
- a review of the contribution schedule every five years by federal and provincial finance ministers
- flexible retirement benefits payable as early as age 60 and starting as late as age 70
- continuation of survivor's benefits if the survivor remarries (previously survivor benefits were terminated if the surviving spouse remarried)
- sharing of retirement pensions between spouses or common-law partners

[18] Bill C-116 received first and second reading on June 11, 1986 and then referred to committee for study and comments. On June 26, 1986, the Bill returned to the business of the House of Commons. Three motions to amend the Bill were quickly debated and agree to, and the Bill was then given third reading and approval.

- extension of allowing CPP credit splitting to include couples who separate from a marriage or common-law union.[19]

Specifically to CPP disability, the 1987 changes were:

- more than doubling the value of the flat-rate component of the benefit from the previous amount to a level equal to that paid by the QPP
- relaxing the contributory eligibility rule to contributions having to be made in either two of the last three years prior to disablement or in five of the last ten years before the disablement
- increasing the ceiling of the combined disability and survivor benefits to accommodate the higher flat-rate disability benefit
- allowing the payment of two benefits where the earnings of both parents were lost due to death or disability regardless of the child's marital status (previously only the higher of the two benefits was payable)
- extending the time limit from 12 months to 15 months retroactively for the determination of disability.

The federal government estimated that, over the next year (1987-88), the increase in the maximum monthly disability benefit would help approximately 155,000 CPP disability pensioners; that the liberalized eligibility requirement would mean about an additional 5,000 people would qualify for benefits; and that as many as 5,000 people would benefit from the increased ceiling of combined disability and survivor payments (Epp, 1986: 14252). A small number of individuals and families would also benefit from the changes in children's benefits and retroactivity claims.

Between the early 1980s pension debate to the 1986 legislation, core ideas for reforming the CPP disability program underwent a process of adoption, restriction and rejection. Ideas for liberalizing the program ranged from probably the boldest vision, put forward by the Canadian Labour Congress, through Minister Begin's proposals, to the intergovernmental consensus reached in late 1985 and contained in Bill C-166. Table 6 shows some main features of these three plans.

Table 6
Evolution of Thinking Toward the 1987 CPP Disability Reform

Feature	Canadian Labour Congress Proposal (1982)	Federal Government Proposal (1982)	Bill C-166 Legislation (1986)
Flat-Rate Portion of the Benefit	Increase to the level of the Old Age Security Benefit (about 20% higher than the QPP level)	Increase to the same as the QPP (from $71 to $228 per month)	Increase to the same level as the QPP (from $88 to $224 per month)

[19] A 1978 reform enabled CPP credits to be divided between ex-spouses after a divorce or legal annulment. The 1987 reforms expanded this credit splitting to situations involving a separation of partners.

Earnings-Related Portion of the Benefit	Raise from 75% to 100% of contributors' retirement pension	Raise from 75% to 100% of contributors' retirement pension	Leave at 75%
Eligibility Requirement	From contributions in 5 of the last 10 years to 1 of last 2 years	From contributions in 5 of last 10 years to 1 in last 2 years	Contributions in 5 of last 10 or 2 of last 3 years

The successive restriction in reforms is understandable when a comparison is made among the national labour organization, a strong social Liberal Minister in Begin, and a Conservative government focused on public deficit and spending control. The similarity of proposals in substantially increasing the flat-rate part of the disability program indicates the wish to improve what was a much needed but modest income benefit and to maintain uniformity of benefits between the CPP and the QPP.[20] The reforms that were eventually enacted originated from the earlier reform in the Quebec plan, the *Obstacles* report among others, policy analysis from within the Departments of Finance and National Health and Welfare, and intergovernmental negotiations over 1984 and 1985 on these issues and the wider CPP agenda of financing and retirement pensions. Public pension reform was not a central issue in the federal election of 1984, and moved from interest group action and media discussion to intergovernmental relations.

Staying on the Front Burner

During third reading of the legislation that would become the 1987 reforms, the Minster of National Health and Welfare acknowledged the desire among MPs to improve disability benefits even further and to reform the definition of disability used by the CPP, which many MPs saw as far too restrictive. The Minister said that, "passage of Bill C-116 does not mean that we are putting pension reform on the so-called parliamentary back burner. Rather, it stays on the front burner where Canadians generally and Members of the House will want to see the full heat retained" (Epp, 1986: 14880).

Over the next five years, if the CPP and the disability program were not continually on the front burner of the Mulroney government's agenda, they were never off the policy stove, always seeming to having something cooking politically or administratively. Numerous changes and innovations were initiated, all in the direction of the liberalization of benefits, rules, supports and services. These changes are outlined in Table 7.

Table 7
Overview of Changes to the CPP and Disability Program, 1987-92

1987	Bill C-116: takes effect with various changes to CPP benefits and financing arrangements
1988	Pension Appeals Board, the *Leduc* decision on employability

[20] The 1987 change in the CPP disability eligibility rule to making contributions in two of the last three years put the CPP out in front of the QPP, a difference between the two plans that was not closed until 1993 when the Quebec plan liberalized eligibility requirements for disability pensions (*Pension News*, 1994: 7).

1989	Departmental policy directive changes guidelines for assessing eligibility
1989	Departmental memo on medical conditions of older applicants
1990	Vocational rehabilitation pilot project for CPP recipients in two provinces
1991	Pilot project integrated with the 1991-96 National Strategy for the Integration of Disabled Persons
1991	Tax liability of CPP disability pensions reduced in federal income tax
1991	Extension of CPP credit splitting
1991	Bill C-116: Reform of CPP appeals system with the creation of the Office of the Commissioner of Review Tribunals
1992	Bill C-39: new 25 year schedule of contribution rates, increase in children's benefit, and several other amendments Bill C-57: lifted the time limit on filing late applications
1992	Definition of earned income for RRSP contributions changed to include CPP disability pensions

While the changes enacted in Bill C-116 and introduced in 1987 resulted from federal-provincial negotiations and agreement, most of the other changes came from the federal government acting on its own. Some of the changes were accomplished through legislative amendments but many were done through departmental guidelines and management actions or by tax reforms. Many had a direct bearing on disability benefits or eligibility, while others had more indirect impact.[21]

In 1988, the Pension Appeals Board made a decision, in the *Leduc* case, which took more of a flexible and socio-economic approach to the definition of the availability of gainful employment. This had the apparent effect of widening or easing the basis for determining the eligibility of an applicant for the disability benefit. This lead to a 1989 policy directive within Health and Welfare Canada that reflected the *Leduc* decision, by referring to local labour market and regional economic conditions as relevant considerations for officials to take into account when determining eligibility for CPP disability benefits. A 1989 departmental memo from the Director of Disability Operations, to departmental adjudicators, said that applicants over age 55 with medical conditions that did not allow them to do their own job or equivalent would now be deemed disabled for the purposes of the CPP (Torjman, 2002). A similar change had been made to the QPP effective 1984, so that a disability pension became payable to persons

[21] An example of a change with an indirect impact on CPP disability was the 1991 legislative amendment for assisting people denied a credit split as a result of provisions in a spousal agreement entered into before June 4, 1986. The amendment provides that applicants who were divorced or whose marriage was annulled on or after January 1, 1987 will be credited with the same amount of credits which they would have otherwise received.

between the ages of 60 and 64 who were not capable of carrying out their regular employment for health or medical reasons.[22]

During this period, federal officials took some steps on CPP vocational rehabilitation programming. For the 1990-91 fiscal year a project to test the feasibility of rehabilitation provisions for disability clients was piloted in British Columbia and Ontario to support the policy goal of return to work. The next year, the pilot was added to the Mulroney government's five year National Strategy for the Integration of Disabled Person, which had as one of its themes the better inclusion of persons with disabilities in the economy (Prince, 1992). The CPP disability vocational rehabilitation initiative was therefore extended to all provinces and given earmarked funds for the 1991-96 time of the National Strategy.

In 1991, the Conservatives announced a new way of treating the tax liability of CPP and QPP disability benefits. As a budget paper explained: "Recipients of Canada Pension Plan/Quebec Pension Plan disability pensions are taxed on these benefits in the year they are received, even though a portion of the benefit often relates to prior years. As a result, since the tax system is progressive, tax liabilities may be significantly higher than if the benefit had been paid and taxed on an ongoing basis from the date of eligibility" (Wilson, 1991: 147). The budget introduced a measure to allow spreading the amount of a lump-sum payment over the years in which they were paid, thereby reducing the tax liability of the recipient. Another tax reform pertaining to CPP disability was made through the 1992 federal budget. For purposes of contributing to a Registered Retired Savings Plan (RRSP) the definition of "earned income" was revised to include CPP and QPP disability pensions. "This measure," *The Budget Papers* explained, "recognizes that CPP/QPP disability pensions replace the earnings of a disabled individual. It makes the tax treatment of these benefits consistent with the existing tax treatment of taxable long-term disability benefits from private plans" (Mazankowski, 1992: 142). Through budgets over this period the Conservatives also expanded the list of eligible expense for the Medical Expenses Tax Credit, a tax measure of obvious importance to Canadians with disabilities. These various budget measures were all aimed at providing more equitable opportunities for income security.

Legislative Players and Processes: The 1992 Changes

Cabinet parliamentary government confers most of the constitutional and actual power to initiate policy on the executive – the Prime Minister and the cabinet, with the senior bureaucracy as influential advisor. Of key importance in financial matters, is the fact that only the government can initiate legislation involving money. Parliament's role in policy making is commonly viewed as marginal, reactive and antagonistic. The opposition parties have the right and duty to criticize and scrutinize government actions and inactions. By and large, parliamentary government functions through intense partisan

[22] As well, the 1984 reform to the QPP altered the eligibility criteria for persons between ages 60 and 64 who for medical reasons could not perform their regular employment. The test of participation in the work force was changed from contributions in five of the last 10 years to not less than two years over their contributory period (National Health and Welfare, 1985: 12).

competition among political parties governed by strict party discipline. This feature of House of Commons was most evident in the 1960s when the CPP was first proposed, debated, altered and enacted. The partisanship of debate makes it very difficult for government and opposition parties to work cooperatively in the House.

The CPP disability is a policy area, however, where the role of parliament and of individual MPs has been something more than marginal and far from always being adversarial. Rather, at numerous times legislative players and processes have been influential and consensual. A non-partisan approach was predominant in the 1981 *Obstacles* report, the 1983 parliamentary Task Force on *Pension Reform*, and the debate around Bill C-116 in 1986, which the Minister of National Health and Welfare called "one of the brighter spots in Parliament with all sides acting together on behalf of Canadians" (Epp, 1986: 14249).

The issue of CPP disability has enabled individual MPs, on the government side as well as the opposition parties, through questions to the relevant Minister, motions and private Members' Bills to urge new action or reforms to the administration and policy on disability benefits. These questions and motions provide MPs opportunities to:

- speak about the problems that constituents are having with CPP, pointing to actual gaps, limitations or inequities of the disability program;
- communicate ideas from parliamentary bodies and other organizations, and promote the reform process by highlighting the need for changes to the disability program, and;
- bring pressure on, or lend support to federal Ministers in defending and improving benefits in meetings with their Cabinet colleagues or their provincial counterparts.

Government responses typically are polite, complimenting the Member for their concern for persons with disabilities, but also are deflective. Government Members may review the history of the CPP, praise the initiatives already undertaken by the government and perhaps add that any specific reform ideas advocated by individual MPs need to be considered within the wider context of the CPP and disability income system in Canada.

A fascinating sequence of parliamentary and disability pension politics took place in 1992 and early 1992, as summarized in Table 8.

Table 8
Legislative Stages of Three Bills on Amending the CPP, 1991-92

Stage/Bill	Bill C-280 Private Members' Bill	Bill C-39 Government Bill	Bill C-57 Government Bill (replacing Bill C-280)
First Reading	September 20, 1991	November 18, 1991	February 14, 1992
Second Reading	November 26, 1991	November 19, 1991	February 20, 1992
Third Reading	November 26, 1991	November 19, 1991	February 20, 1992

Outcome	Turned down by Senate Raised by Minister of National Health and Welfare at a federal-provincial meeting, and agreement secured	Received assent and became effective 1992	Received assent and became effective 1992

In September 1991, Bill C-280, a private member's bill to amend the *Canada Pension Plan* Act was introduced by the Hon. Alan Redway, formerly a Minister of Housing in the Mulroney Cabinet. At first reading, Redway explained that the bill was "aimed at a long-standing, but I believe only a technical injustice in the limitation period for making application for the CPP for disabled people" (Redway, 1991a: 22468). Redway had been working on this issue since 1985 and had wished that the changes would have been part of the reform package enacted in 1986. He was not alone among government and opposition MPs in holding this view.[23]

Redway wanted to change the limitation period for the CPP disability pension, thus allowing people to make a later application and be eligible to receive a pension with the understanding that "they have made contributions for at least one-third of their contribution period." At second reading two months later, Redway acknowledged the assistance of Michael Hatfield, the legislative assistant to the previous Minister of National Health and Welfare, Jake Epp, in drafting the wording of Bill C-280. The House Management Committee decided the bill would not be votable, but Redway argued that there was "no need to get the provinces' approval in advance. This bill could be passed, it just would not take effect until the provinces agreed" (Redway, 1991b: 5380). He sought the unanimous consent of the House to adopt a motion that Bill C-280 be referred after second reading to a Committee of the Whole instead of to a legislative committee, as is usual practice. During debate, several opposition MPs thanked Redway for his initiative and spoke approvingly of expanding access to benefits for Canadians with disabilities. Unanimous consent was given and the bill was read a third time and passed unanimously, 196 to nil. The bill went to the Senate but was turned down there because it did not have "a royal recommendation."

However, early in 1992, the Minister of National Health and Welfare sounded out the provinces on the proposal contained in Bill C-280, and obtained their approval. The Minister then informed the House that he would correct the anomaly identified in the private members' bill and would introduce an important amendment. Bill C-57 was simply a replacement of Bill C-280. It went quickly through all three stages in the House of Commons in less than a week in February 1992, made possible by all-party support and cooperation. The effect of the legislation was to lift the time limit on late applications for disability benefits, protecting people from non-eligibility solely on the basis of having filed a late application.

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[23] Another Conservative backbench MP, Geoff Wilson (Swift Current-Maple Creek-Assiniboia) frequently raised the matter of amending the CPP's test of recency provision so that workers with disabilities who otherwise had legitimate applications for the disability pension were being rejected.

The Mulroney government's own major legislative measure on reforming the CPP was Bill C-39, which was tabled and approved in rapid fashion in November 1991. The two main amendments were:

- a revised 25 year schedule of contribution rates, and;
- a $35 increase in the monthly flat-rate benefits for children of deceased CPP contributors.

As was set out in the 1987 reforms, the 25 year schedule of CPP contribution rates was to be reviewed every five years by the federal and provincial Finance Ministers. In 1991 the first such review was done and Bill C-39 revised the schedule with contribution rates increasing moderately faster than previously scheduled.

Policy development on the children's benefit increase began with a federal-provincial working group established in 1986 to explore new approaches to survivor benefits. The next year, the federal government released a consultation paper, *Survivor Benefits Under the Canada Pension Plan* (Canada, 1987), which was tabled in the House of Commons and then referred to a parliamentary committee. After holding hearings and inviting submissions, the committee released its report in April 1988 which, in turn, informed further federal-provincial discussions over the next few years. Early in 1991, the federal and provincial governments reached agreement on CPP financing and the children's benefit, forming the core of Bill C-39. Effective January 1992, the $35 lift in the children's benefit represented a 30 per cent increase and was estimated to assist some 170,000 children of deceased or disabled CPP contributors.

Bill C-39 also contained the following amendments relevant to CPP disability programming:

- a CPP disabled contributor's child benefit would now be able to be converted, without need for application, to a CPP orphan's benefit;
- CPP children's benefits will be provided to a child who comes under the care and custody of a CPP contributor after the contributor becomes disabled;[24]
- allow the sharing of information among the CPP, Old Age Security and Family Allowance programs as well as in limited conditions with provincial administrations;
- allow the reimbursement of CPP disability benefits to the administration of a long-term disability plan under approved conditions;[25]
- change the timing for a Ministerial review on disability benefit claims, the first level appeal period, from 12 months to a three month turn around time;

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[24] Until 1992, only a natural child born after the month of a disability and a child legally adopted after that month could receive the CPP children's benefit.

[25] The intention of this amendment was to ensure that long-term disability plans operated by insurance companies or other government agencies "will be willing to guarantee payment of the full amount of the disability entitlement between the onset of a private benefit and the award of the CPP disability benefit" (Sparrow, 1991: 4887).

- grant late applicants with a mental incapacity the right to appeal on the basis they were incapable of applying for the disability within the normal 15 month time limit, thus protecting the benefit eligibility of these CPP contributors.

When tabling this legislation, the Parliamentary Secretary to the Minister of National Health and Welfare told the House of Commons that, "These minor amendments are an insignificant cost. At the same time, they would improve administration, make limited improvements to eligibility rules and clarify certain sections of the legislation" (Sparrow, 1991: 4887).

A Restructured Appeals System

This period also saw a restructuring of the appeals system for the CPP, which had not been substantially altered since the beginning of the Plan in the 1960s. With the passage of Bill C-116, the Commissioner for Review Tribunals was established along with a new system of appointing and managing Review Tribunals. The previous system of review committees and the new Review Tribunals system are compared and contrasted in Table 9. Basic features of the appeals system such as role, powers, and size of the review bodies continued under the restructuring. Fundamental reforms involved the creation of the Office of the Commissioner for Review Tribunals (OCRT), independent from the Minister and the Department of National Health and Welfare, as a quasi-judicial body responsible for overseeing and supporting a new national network of panel of members.[26] The OCRT received an expanded mandate as of January 1997 when appeals under the *Old Age Security Act* were entrusted to it.

Table 9
Restructuring the Second Level of Appeals for CPP Decisions

	Review Committees	Review Tribunals
History	1967 to 1991	Since 1991-92
Jurisdiction	Make determinations on eligibility for persons claiming benefits under the *Canada Pension Plan*	Make determinations on eligibility for persons claiming benefits under the *Canada Pension Plan* and, as of 1997, the *Old Age Security Act*
Role	To review a reconsideration by the Minister	To review a reconsideration by the Minister
Powers	Confirm or vary a decision of the Minister	Confirm or vary a decision of the Minister
Number of members	Three	Three

[26] Interestingly, Bill C-116 makes reference to the position of the Commissioner and the Review Tribunals but is silent on the formation of the Office. The OCRT itself then is not a statutory body, a feature one might expect for a quasi-judicial body of government.

Method of appointing members	Minister appoints one Appellant appoints one These two select a third who serves as chair	Members are selected from a national panel of up to 400 appointed by the Governor-in-Council
Membership of bodies	Composition of specific Committees determined in accordance with the legislation Changed with each appeal	Composition of specific Panels determined by the Commissioner in accordance with the legislation Panel members appointed for 2 to 5 years
Administration	Department of National Health and Welfare	Office of the Commissioner of Review Tribunals

Both the original appeal system and the new one rest on the principles of natural justice or procedural fairness that parties have a right to appeal an initial decision; that there be a hearing for affected parties to be heard; that there be notice of such hearings; that the rules of procedure be published and known; and that reasons be given for decisions. With the restructuring of the appeal system, however, an important dimension of natural justice was added or more fully realized, that is, the right to appeal to an independent body.

A key difference between the two systems at this second level of appeal is that, with the formation of the Review Tribunals and the OCRT, applicants have the opportunity to appeal Ministerial decisions to an independent and impartial body for adjudication, agencies quite separate from the government official and organization being appealed against. This placed the CPP in fuller compliance with procedural requirements of administrative justice.

Beyond the natural justice concerns, two other issues were at play.[27] First, having appellants choose their representatives opened the door to significant influence by departmental staff. It was felt that staff at was then National Health and Welfare were too involved in the process and as a result there was insufficient independence from the initial decision and the reconsideration. Second, there was no requirement for legal counsel or expertise on the Review Committees, so many legal errors were made. Apparently, the Minister was appealing close to half of the reconsideration decisions because of these concerns. Making the appeals system more professional and efficient therefore, was an aim of federal officials.

Outcomes and Implications

The liberalization of disability benefits, contributory requirements and time limits on claims introduced through the legislative reforms of 1987 and 1992 had a number of

[27] This discussion draws from communications with Simone Godbout, who I wish to thank for these comments.

outcomes, some anticipated and others unintended. For instance, as expected, the protection of applicants from non-eligibility solely on the basis of having filed a late application resulted in benefits for about 3,000 applications.[28] Overall, CPP disability caseloads grew through this period and at a faster rate than in the 1970-86 period. The average monthly number of disability beneficiaries went from around 200,000 in 1987 to about 325,000 by 1993. After averaging about 12 per cent of total CPP expenditures in the previous 10 years, adult disability benefits averaged nearly 16 per cent in this period, while children's benefits stayed at under two per cent of total payouts.

In 1985, the maximum monthly disability pension had been $414.13 and in 1987, with the increase by the Mulroney government, the flat-rate portion was substantially increased, from $91.06 in 1986 to $242.95 a month in 1987. By 1988, the maximum monthly benefit was $660.94 and by 1993 it had grown to $812.85 (Burbidge, 1996: 104). Total expenditures on CPP disability benefits, between 1987 and 1993, jumped from $1.1 billion to approximately $2.5 billion. The liberalization of CPP disability benefits and eligibility rules meant that the CPP and the QPP now differed on this area more than before, with the gap closed only after the QPP instituted similar reforms in 1993. Consequently, through the 1987–93 period, the CPP experienced striking increases in disability expenditures and caseloads that the QPP did not (Torjman, 2002).

An unintended outcome of the large increase to the disability benefit was the shifting of costs upward from provinces to this national program. Through the economic recession and rising welfare caseloads of the early 1990s, provincial governments became more active in searching for income support alternatives to social assistance or workers' compensation, including CPP disability payments. Federal officials came to believe that, "the [CPP disability benefit] increase in some cases was partly offset by the private insurance sector or by provincial or municipal social assistance programs" (National Health and Welfare, 1989: 6-15).

The 1991 restructuring of the CPP appeals system sought to achieve greater detachment in the proceedings from the two main parties, the appellant and the Minister, along with better continuity in the membership of the Review Tribunals. The expected results were impartiality and equality in the treatment of the parties, and more informed and consistent decision-making by Tribunal members. As before, disability pension cases continued to comprise about 95 per cent of the appeals through this period. With the Review Tribunal system established, it was expected that about 1,800 appeals would be received each year. Experience through the rest of the decade would prove otherwise.

Adequacy of benefits was an obvious consideration of governments with the 1987 and 1992 reforms to the CPP benefits, carrying significant and lasting cost implications. As a

[28] An example outside of the disability program pertains to the ability to draw CPP retirement benefits between ages 60 to 70, actuarially adjusted, following the 1987 reforms. This wider choice of when to retire for the purposes of the CPP was an immediate hit with many Canadians. Almost 175,000 flexible retirement benefits were taken up by the Spring of 1988. Still another example was that "over 30,000 formerly ineligible survivor benefit recipients had been reinstated" following the 1987 reforms (National Health and Welfare, 1989: 6-8).

result, "CPP disability benefits have gained attention for to reasons that were not foreseen in the mid 1980s. First, there has been some concern that recent increases in CPP disability claims might reflect the use of CPP disability as a "de facto" early retirement program. Second, changes in assumed rates of disability have raised the long tem estimates of the contribution rates required by the CPP" (Baldwin, 1996: 72).

Increasing the flat-rate portion of benefits involved politically redefining the acceptable minimum for income protection provided by the disability program. As a uniform level of payment, the flat-rate portion is a benefit based on assumed average need for income, available to all who qualify regardless of their earnings level. Thus, by weighting payments in favour of lower-paid workers, the 1987 and 1992 benefit reforms modified the concept of social insurance that is, the actuarial relationship between contributions paid and benefits received. So did the increase to the children's benefit of disabled contributors, since Canadian workers with children do not pay higher contributions for CPP coverage than workers without family responsibilities. That the disability program perhaps departed too much from insurance principles was to become part of the critique of CPP, from some political quarters at least, through the rest of the 1990s (Robson, 1996).

CRITIQUE, RETRENCHMENT AND REORIENTATION OF CPP DISABILITY: 1994 - 2001

The latest period began, in a mandate sense, with the election of the Liberal government of Jean Chretien in the later part of 1993. The years from 1994 to 2001 can characterized as a point in which the politics and policies of Canadian pension reform shifted "from expanding coverage to heading for cover" (Prince, 1996). This age reflects a trend apparent in many governments and social policy areas of financial restraint and cost containment as strategic priorities.[29] Writing on this period, Baldwin stresses the importance of seeing recent pension debates "in the context of the wider swing to the political right and the positive currency that is associated with liberalizing market forces. The interest that is being shown in downsizing public pensions is hardly a stand-alone event. Public pensions are merely taking their place in the line-up of social programs, and other government programs as well, that are going through the downsizing ringer" (Baldwin, 1997: 193).

Thus, this period differs somewhat from the three previous periods of pension policy development. Among governments and the general public, unease appeared to be growing over the future viability of the CPP, financially and perhaps politically across generations. While concerns about the financial sustainability and affordability of the CPP in general had been a recurring issue among policy makers through the late 1970s

[29] During the 1990s, the eligibility and benefit features of public pension plans and other social security programs were tightened in most European countries (Bonoli, 2000; Clasen, 2001). In the United States, the Reagan administration in the early 1980s implemented a retrenchment campaign against social security benefits for persons with disabilities, cancelling income benefits and medical care to some 300,000 beneficiaries (Chamber, 1985).

and 1980s, similar financial worries about the disability program only arose in the 1990s. As noted in the previous section, CPP disability expenditures had more than doubled from 1987 to 1993 and disability caseloads reached a historic peak in 1993-94. By the time, in 1996, of the federal-provincial-territorial review and consultation on reforming the CPP, the size of the disability component had become a political issue and figured in plans for controlling the costs of the Plan. In reforms made in 1998, the administration and eligibility for disability benefits were tightened in an effort to control program costs. Along with critiques and retrenchment of the disability program, there also was a reorientation in the policy goals with relatively more emphasis given to return to work and program integrity issues.

Critique and Consultations

The pension debate of the mid 1990s differed in several respects from the "Great Canadian Pension Debate" of the early 1980s, as outlined in Table 10. Whereas the great debate had stressed options of improving benefits and introducing new ones, discussions on pension policy in the mid 1990s, including successive federal budgets, emphasized the fiscal limits of the state and the financial distress anticipated for the CPP and other old age benefit programs. A number of suggestions were advocated for reforming the CPP, ranging from radial structural changes that included abolishing the Plan to modifications of the present system that commonly called for increasing contribution rates, raising the retirement age for the full pension, removing the disability and survivor benefits from the CPP, and reducing benefits.

Table 10
Comparing Pension Debates:
The Great Canadian Pension Debate of the 1980s
and the Pension Reform Talk of the 1990s

	Great Canadian Pension Debate	Pension Reform Talk
Time Period	1977 to 1985	1994-97
Key Participants	National Health and Welfare, Finance Canada Provincial Governments, Parliamentary Committees, Financial Industry, Insurance Industry, Business Associations, Organized Labour, Women's Groups, Seniors Groups, Disability Groups	Finance Canada, Chief Actuary, Auditor General of Canada, Provincial Governments, Business Associations, Think Tanks
Retirement Policy Issues on Government Agendas	Better pensions for women and homemakers Improved private pension coverage, indexing, vesting and portability Increased tax assistance for retirement savings plans Alleviating poverty among current seniors Improved CPP disability and survivor benefits	Controlling rising costs of public pensions Maintaining protection of low-income seniors Better targeting of Old Age Security by income testing benefits

	Maintaining universality of Old Age Security	
Political Climate	Strong public confidence in public plans Critical attention to the deficiencies of occupational pension plans and the lack of private sector coverage Beginning to shift away from progressive social policy making, but still a sense that pension reforms can and should be done Wide support for a mix of personal and public responsibility for retirement income and pensions	Pension apprehension that benefits won't be there in the future Strong preoccupation by governments with deficits and the financial sustainability of CPP Little critical analysis of private pension plans or of continued poverty among some seniors Shift to individual responsibility Rhetoric about intergenerational acrimony

Source: Baldwin (1996), Prince (1996).

In the contemporary period, pension reform has not been informed by a great debate along the lines of the earlier period. The same amount of time was not involved, nor the same broad range of issues addressed on the policy agenda. Probably because of the tighter time frame for dialogue, and the political stress placed on reducing the federal deficit and public debt – a defining element of the new political climate, disputes over competing ideas for reforming the CPP were relatively muted in formal discussions and media coverage.

A pension debate of sorts did occur in the mid 1990s, but one more like a talk than a grand clash of contending visions and interests. The views of social policy groups were less prominent and even marginalized in the process, since they tended to argue for further enhancements to benefits and the liberalization of eligibility rules, positions regarded by government officials as out of touch with the fiscal imperatives facing governments. The Department of Human Resources Development Canada (HRDC), the successor to National Health and Welfare in 1993, also appeared to play a less prominent role, while reports on the CPP by the Office of the Auditor General of Canada and the Chief Actuary to the Plan were influential in setting the tone and parameters of the pension reform discourse, as were studies by various business groups and institutes that repeated the restraint theme.

Table 11 lists a series of federal government documents, from the years 1994 to 1997, that addressed the reform of the CPP and the disability program. The main policy goals and perspectives of the documents are also noted. These documents formed the platform

Table 11
Federal Government Critiques of the CPP, 1994-97:
A Documentary Overview

Document	Policy Goals and Perspective
The Budget Plan, February 1994	Financial Sustainability Return to Work Income Protection
Auditor General Report, 1994 and 1996	Program Integrity
Social Security Review, *Persons with Disabilities, A Supplementary Paper* (1994)	Return to Work Program Integrity and Efficiency
Chief Actuary, *Fifteenth Actuarial Report on the Canada Pension Plan, at 31 December 1993* (February 1995)	Financial Sustainability
Budge Speech, February 1995	Financial Sustainability
An Information Paper for Consultations on the Canada Pension Plan (February 1996)	Financial Sustainability Income Protection
Report on the CPP Consultations, October 1996	Financial Sustainability Program Accountability
Budge Speech, March 1996	Financial Sustainability
The Budget Plan, February 1997	Financial Sustainability Maintain Income Protection

The Chretien Liberal's first budget set out the principles for the government's plan to reform Canada's social security system. These were to create a system "that better rewards effort and performance and offers incentives to work"; while "continuing to offer security to those in need"; and, a social security system which is "financially sustainable" (Martin, 1994: 19). It is reasonable that in an early statement previewing a comprehensive review of social policy that the government would refer to a bundle of values that would guide the review. The main emphasis for pension reform, though, was suggested by Finance Minister Paul Martin in his *Budget Speech,* where he indicated the government was examining "what changes are required to the public pension system to ensure it is affordable."

Reports on the Canada Pension Plan by the Auditor General of Canada understandably drew attention to financial and administrative matters. The Auditor General of Canada criticized the management of disability benefits in his 1994 and 1996 annual reports, suggesting that the disability program was too loosely controlled and potentially subject to considerable fraud, because of imprecise program objectives and incomplete information systems. The Auditor General expressed concern that significant changes to

disability eligibility practice had been introduced via guidelines rather by legislation, which properly requires formal consultations with the provinces and actuarial estimates. Critiques by the Auditor General recommended that greater efforts be made by HRDC at checking disability claimants for the purpose of ensuring genuine applications, detecting fraud, and recovering overpayments. As well, the Auditor General expressed concern over the length of time taken to handle applications, reconsiderations and appeals. In response, the HRDC established a unit to verify the continuing eligibility of pension recipients, revised its quality assurance process and took other related actions to improve service delivery. The Auditor General also added his voice to the chorus about the aging of Canada's population and the consequent need to sharply raise employer and employee contributions to maintain the CPP over the next generation.

When the Liberals released their Green Paper, *Improving Social Security in Canada* in October 1984, it became clear that the CPP and other elderly benefits were excluded from this review. The focus instead was on education, employment, income assistance and social services. As a consequence, pension reform was not a part of what turned out to be perhaps the widest ever public consultation exercise on federal social programs through the Fall and Winter of 1994-95. Rather, public pension reform was left to the Minister of Finance to largely oversee. All the same, a supplementary paper to the Green Paper was released late in 1994 that dealt with persons with disabilities, including the CPP program (HRDC, 1994). The supplementary paper gave no attention to the income support goal of the CPP, concentrating primarily on the return to work goal and, secondarily, on program integrity and efficiency. The paper noted as a constraint of the CPP and QPP disability benefits the problem of persons applying for these benefits being classified as "unemployable" or "incapable of supporting themselves." Thus, disability beneficiaries who try to return to work stand to lose their benefits entirely. To improve the incentives for beneficiaries to return to the paid work force, the paper reported that HRDC was at that time conducting a review of the CPP disability program (HRDC, 1994: 20).

The Liberals' perspective to pension reform was unveiled in general terms through the February 1995 federal budget. Their focus would be on the OAS and the CPP motivated by a purpose to control the "rising costs" of these programs. A public consultation process was mentioned, though not described in any detail and the government stated its intention to have reforms legislated to take effect in 1997. "Concerning the CPP," the Finance Minister declared, " the most recent actuarial report was released last week and it leaves no doubt that we will have to take steps to ensure that plan continues to be sustainable. This we shall do when we sit down this Fall with the provinces to review the CPP" (Martin, 1995: 20).

The shift in the politics of pension reform became strongly apparent in the Finance Minister's May 1996 federal budget speech. That speech communicated a criticism of previous governments for not taking proper action on financing the CPP; expressed a concern for that reason of a potential crisis; and promised to consult with other governments in taking action to slow the growth rate of CPP expenditures. A central theme of this budget was securing pensions and other social programs for the next century. The Finance Minister observed sombrely that, "Canadians feel our very way of

life is at risk. They look at Medicare - and feel it is threatened. They look at the pension system – and wonder if it will be there in the years to come" (Martin, 1996: 3). "Confidence in the pension system must be restored. The party that put pensions in place for this country must now act to preserve them. The challenge is clear – it is one of sustainability. First, the CPP must be put on a sound financial footing - and done so in a way that is sustainable, affordable and fair" (Martin, 1996: 12). The Finance Minister once again made reference to the latest report of the Chief Actuary to make the argument that "changes are needed to restore the CPP to health. Clearly governments should have acted some time ago to address this problem. We believe the role of government that is responsible is to act to prevent problems, rather than letting them become crises. And so, together with the provinces and the territories, we will act" (Martin, 1996: 13).[30]

In 1996, as part of the statutory review of the CPP which the federal and provincial/territorial governments must do every five years, governments agreed to a joint process of public consultations across the country.[31] The ostensible aim of the consultations was to canvass views on a range of options for ensuring the financial sustainability of the CPP for future generations. The options presented in a discussion paper, *Securing the Canada Pension Plan*, all dealt with various restraints or cuts to the CPP. A secretariat was established to support the consultation process. David Walker, a Liberal MP and Parliamentary Secretary to the Minister of Finance, co-chaired the special committee along with a provincial representative, thus enabling governments to hold joint hearings across the country.

On disability benefits and eligibility, the consultation paper proposed several sorts of reductions that would lower projected CPP expenditures by three to five per cent by the year 2030. At the time, the National Council of Welfare (NCW) commented: "Some of the proposal appear to have merit, and some appear to be little more than mean-spirited ways of putting the squeeze on people with disabilities" (National Council of Welfare, 1996: 29). The NCW saw these proposals as tinkering rather than deep thinking, and urged governments to postpone changing CPP disability pensions until a review of all disability programs was done, including the option of "taking disability pensions out of the Canada Pension Plan and creating a broader national disability insurance plan" (National Council of Welfare, 1996: 30).[32]

Following the consultations, federal and provincial/territorial finance ministers participated in a series of intergovernmental meetings to negotiate a consensus on changes. In February 1997, the federal Finance Minister announced that a federal-

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[30] In a 1996 report, the Chief Actuary indicated that, without modifications, the CPP fund would be depleted by 2015 and that, by 2030, the combined contribution rates would have to increase to 14.2 per cent to cover the growing benefit costs.

[31] One of the 1998 changes to the federal legislation is that intergovernmental reviews of CPP are now required every three years rather than every five years.

[32] Interestingly, the Premiers (except for Quebec) had put forward in 1996 a proposal for a national income benefit for persons with long-term disabilities. Yet again in the modern history of disability policy in Canada, a federal-provincial working group of officials was established to explore the idea. What resulted were the modest suggestions of better harmonization of existing income programs and the removal of work disincentives in these programs (Torjman, 2001).

provincial consensus on reforming the CPP had been reached. Ottawa, eight provinces and the Northwest Territories supported the reforms, to take effect January 1998, while the NDP governments of British Columbia and Saskatchewan dissented. The government of Quebec announced changes to the QPP, comparable to the changes to the CPP. The agreement was largely based on private negotiations among governments, informed by actuarial analyses of projected costs, and partly shaped by reactions during the public consultations.

In the 1997 federal budget, Martin trumpeted the intergovernmental consensus on reforming the CPP, and outlined the principles that had guided the reforms. These included:

- Governments must tighten administration as a first step towards controlling costs.
- The CPP must be affordable and sustainable for future generations. This requires fuller funding.
- Disability and survivor benefits are important features of the CPP. However, they must be designed and administered in a way that does not jeopardize the security of retirement pensions (Martin, 1997a: 119).

The language and meaning of this final principle indicates the status of the disability program as supplementary to the retirement pension, as always the "poor sister" benefit. This became apparent in 1997 with Bill C-2, the legislation to reform the CPP.

Major Changes to CPP: 1998

When presenting Bill C-2 to the House of Commons Standing Committee on Finance, in October 1997, Finance Minister Martin described the message from the public consultations in the following words: "the clearest message we heard is that Canadians want, Canadians need, and Canadians count on the Canada Pension Plan. They told us they want the CPP fixed now and fixed right – not left to drift, not privatized, and not scrapped as some have suggested. And they told us to fix it in a way that does not pass on an unbearable cost to younger generations." In addition, "Canadians told us to "go easy" on benefits. Canadians recognize the need for adjustments, but most do not want to see any dramatic changes" (Martin, 1997b: 2-3).[33] Retirement pensions were left virtually untouched, while disability benefits and the other supplementary benefits were affected by the 1998 reforms. Anyone receiving CPP retirement pensions, disability benefits, survivor benefits or combined benefits as of the end of 1997 are not affected by the changes. In addition, all benefits remain fully indexed to inflation.

The most important changes overall to the CPP were as follows:

[33] The National Council of Welfare makes a similar observation about the impact of the public consultations on government thinking. "Representations to the committee reportedly caused governments to think twice about cuts in a variety of CPP benefits" (National Council of Welfare, 1996: 31).

- Moving from pay-as-you-go financing to fuller funding. Contribution rates are scheduled to rise from 5.85 percent to 9.9 percent of contributory earnings by 2003 (rather than the previously scheduled rise to 7.35 percent in 2003) and then remain steady, rather than the projected rise to 14 percent or more by 2030.
- Investing the CPP reserve fund in a portfolio of market securities to get higher returns, something that the QPP has been doing since the start of that plan, and with the reserve managed by an Investment Board at arms length from governments. The fund will grow in value from about two years of benefits currently, to about five years of benefits.

That expenditures on disability benefits had more than tripled and the number of beneficiaries almost doubled from 1987, when the last reforms were made to the plan, no doubted prompted governments to alter the disability program. A comparison of the pre-1998 and the post-1998 reforms to the CPP, as they directly relate to disability benefits, are outlined in Table 12.

Table 12
CPP Disability Benefits: Pre-1998 Features and Post-1998 Reforms

	Pre-1998 Features	Post-1998 Reforms
Retirement Pensions and Earnings-related portion of Disability/Survivor Benefits	Based on average of last 3 years' maximum pensionable earnings (YMPE)	Based on average of last 5 years' YMPE
Contributory Requirements for Disability Benefits	Must work and contribute to CPP in 2 of last 3, or 5 of last 10 years	Must work and contribute to CPP in 4 of last 6 years
Combined Survivor/Disability Benefits	Ceiling equal to maximum retirement pension plus larger of two flat-rate components	Ceiling is one maximum disability pension; limits on flat rates
Retirement Pensions for Disability Beneficiaries	Based on maximum pensionable earnings when recipient reaches age 65, then indexed to prices	Based on maximum pensionable earnings at time of disablement, then indexed to prices until age 65
Disability Benefits upon death of Beneficiaries	Benefits paid to estates	No longer paid to estates
Death Benefit	Six times the monthly retirement pension of the deceased contributor to a maximum of $3,580 (in 1997)	Six times the contributor's monthly retirement pension up to a maximum of $2,500 (in 1998) and is frozen at that level

Source: Adapted from Finance Canada (1997).

In summary, changes made to disability benefits and eligibility included a number of initiatives:

- Retirement pensions and the earnings-related portion of disability and survivor benefits are now based on the average of maximum pensionable earnings over the last five working years rather than the last three. This reform has the effect of lowering maximum benefits by $147 a year.
- Workers must now show greater attachment to the labour force. To be eligible for disability benefits, they must have made contributions in four of the last six years prior to becoming disabled.
- The rules for disability and survivor benefits have been changed to limit the extent to which these benefits can be combined.
- Retirement pensions for disability beneficiaries are now based on maximum pensionable earnings at the time of the disability, rather than at age 65, and then fully indexed to the cost-of-living index. This change seeks to ensure that when disability beneficiaries reach 65 and their disability benefits are converted to retirement pensions, that while they may receive pensions higher than what other people who retire are receiving, the differential will not be as large as before.
- Disability benefits are no longer paid to estates upon the death of the beneficiary.
- People already receiving early retirement benefits under the CPP are not eligible for disability benefits.
- Administration of the disability benefits has been tightened in terms of disabilities being scrutinized more closely and reviews of files being done more frequently.

Another change, not directed specifically at persons with disabilities, but with real consequences for many is that the yearly basic exemption, which is $3,500 and indexed to wages, is frozen at that amount. Contributions are made only on pensionable earnings above that amount. This change adversely affects low-income and many part-time workers, groups disproportionately represented by women and persons with disabilities. Over time, these workers will pay disproportionately more of their salaries as contributions to the CPP. While freezing the basic exemption may sound like a minor technical change to the CPP, it is an example of social policy stealth. No longer indexed to the average industrial wage, the exemption will decline gradually in real terms, even though in nominal terms (current dollars) it would appear to be the same. The result is a steady lowering of the real basic exemption each year, imposing what amounts to a hidden payroll tax increase on low-income earners.

Parliamentary Perspectives on Bill C-2

Finance Minister Martin described this package of reforms as being 75 per cent on the financing side of contributions and the new investment policy, and only 25 per cent on the benefit side. A review of the debates in the House of Commons, the Senate, the Senate Committee of the Whole and the House of Commons Committee on Finance suggests that 90 per cent or more of the debates focused on the investment and financing side; there was little discussion of changes to the way benefits are administered and calculated. The issues most commonly discussed were the increased premiums constituting a "tax grab", a potential decline in the Canadian economy due to this "tax

grab", the composition of the Investment Board to be created, and the increased CPP premiums in relation to Employment Insurance (EI) premiums.[34]

As to be expected, MPs and Senators from the various federal political parties assessed Bill C-2 through different clusters of beliefs and values about the proper role of government and about preferred spending and taxing measures. Reform Party members focused on the economic side of the reforms. Primarily, they were concerned with the increase in the premiums and with the proposed Investment Board, specifically the potential for patronage, mismanagement and poor returns. The increase in the contribution rate was repeatedly called an extra tax burden on business and a killer of job creation. Reform MPs proposed replacing the CPP with a RRSP-like system where individuals controlled where and how their money was invested. On the disability program, Reformers were not that upset with the trimming of benefits as they did not believe the CPP should be playing this role. As one Reform MP said: "Many Canadians have disability insurance but the CPP gratuitously and unnecessarily takes that over. Even the amount the plan pays out in disability is not necessary in many cases" (Ablonczy, 1997).

Progressive Conservatives also expressed alarm over the accelerated increase in CPP premiums. They felt that if the Chretien government was going to take "an $11 billion bite" out of the economy through CPP payroll tax increases, they should implement tax cuts, such as through the EI program, to compensate. Conservative MPs and Senators also expressed concern over the level of consultation and debate on Bill C-2, the effect of the changes on women, and the accountability and independence of the new investment board.

NDP members were disturbed about shifting an unfair portion of the burden to support the CPP to low-income Canadians. They regarded the refinancing changes as a very regressive way to sustain the CPP. They were, moreover, highly critical that there was an increase in premiums, but a reduction in benefits. The NDP did not support Bill C-2, seeing it as making life even harder for low wage workers and persons with disabilities, among others struggling to make ends meet.

Bloc Quebecois members were not especially concerned about the changes since they did not affect many of their constituents. Like other parties, however, they were concerned about the EI premiums and even proposed an amendment to Bill C-2 that would require an increase in CPP contribution rates be linked to a decrease in EI premium rates. On the disability changes, they were displeased with the tightening of the eligibility criteria. The QPP was presented as a superior model in dealing with disability. "In Quebec," one BQ member said during the House of Commons debate, "those who have contributes for two of the last three years, or five out of the last ten years, or for half of the contribution period, are eligible for disability benefits. This makes allowance for progressive diseases, which is very important. The Government of Quebec will therefore recognize, and quite rightly, a proportionately higher number of disabled people" (de Savoye, 1997).

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[34] I wish to acknowledge and thank Simone Godbout for her research assistance in scanning and summarizing the parliamentary debates on Bill C-2.

The rationale of the Ministers of Finance and HRDC for Bill C-2 was essentially that the changes were required to save the CPP for future generations. Martin told the Standing Committee on Finance that the federal-provincial review of the CPP "had one overriding goal: to make sure that the CPP will not buckle under the weight of the demands that will be placed on it when the baby boomers retire" (Martin, 1997b: 4). When confronted with challenges to the changes to the CPP, the Ministers argued that Bill C-2 was based on the intergovernmental review and public consultations and was the outcome of a federal-provincial agreement. Compromises had to be made by all sides on the package of changes eventually accepted; otherwise, Martin argued, the alternative was to allow the plan to die from lack of change.

On the issue of retrenching the disability program, the clearest response during the debates likely came from the Minister of HRDC, Pierre Pettigrew, while appearing before the Standing Committee on Finance in October 1997. The Minister said: "On the disability elements, there is some tightening up around eligibility, because there have been vast increases in the last few years that have been attributed to reasons that are not always clear. So the eligibility criteria were tightened in a way that we want to make sure the pensions go to the people who are covered by the law covering disable people. There is a bit of clean-up around them because of the vast increases in the last few years. We remain committed to work in that direction" (Pettigrew, 1997).

Bill C-2 received Royal Assent in December 1997; the cabinets of the eight provinces passed supporting orders in council. Upon approval, the changes to the contribution rates were retroactive to January 1997, and the benefit changes and their administration went into effect January 1, 1998. The related developments of establishing the CPP Investment Board and the new investment policy were proclaimed April 1, 1998.

Other Changes to CPP: 1995-2001

In addition to the high profile reforms of Bill C-2, other changes to the CPP are worth mentioning. Indeed, there were several further reforms to the CPP policy and disability administration and benefits over the 1995 –2001 period, implemented through legislative amendments, evolving jurisprudence and numerous departmental initiatives by HRDC. These changes and their related policy emphasis are presented in Table 13.

Table 13
Related Changes to the CPP Disability Program, 1995-2001

Year	Change	Policy Perspective
1995	Bill C-54: Additional medical advisors hired and temporary members appointed to deal with increased number of appeals and the backlog of unheard cases; also expanded provision for the disclosure of information to better prevent mispayments and to collect overpayments	Program Integrity and Client Service
1995	New incentives to: allow beneficiaries to volunteer or attend school without losing benefits as long as they have a continuing disability; continue to receive benefits for three months after returning to work; and have their application fast-tracked if the same disability again prevents them from working	Return to Work and Community Participation
1995	New medical adjudication guidelines and appeals procedures "stress the use of medical factors and rule out the use of socio-economic factors in assessing disability."	Program Integrity Financial Control
1997	Bill C-54: Streamlining of the appeals system at the Pension Appeals Board level, and the mandate of the Office of the Commissioner for Review Tribunals extended to include appeals from Old Age Security decisions	Program Integrity and Client Service
1997	CPP Disability Vocational Rehabilitation Program introduced by HRDC	Return to Work
1998-99	Bill C-2: Information-sharing agreements signed between HRDC and workers compensation boards of several provinces	Program Integrity Return to Work
2000	Bill C-23: all CPP benefits and rights extended to same-sex common law relationships	Entitlement to Income Protection
2000	HRDC begins mailing to all CPP contributors annual statements of their contributions	Client Service and Personal Responsibility
2001	Earnings exemption of up to $3,800 from work while receiving CPP disability benefit	Return to Work
2001	Federal Court of Canada decision in the *Villani* case argues for a more generous interpretation of the definition of a severe disability in the *Canada Pension Plan* legislation	Income Protection
2001	A new newsletter for people receiving a CPP disability benefit produced by HRDC with future issues to be mailed out at least once a year	Program Integrity and Client Service

Source: *Annual Report of the CPP*, various years.

In the mid 1990s, HRDC undertook steps to streamline the appeals process for the CPP. Bill C-54, which became law in July 1995, allowed for the appointment of part-time judges for Pension Appeals Board (PAB) hearings. Another provision of this legislation

which came into force January 1, 1997, relaxed the rules on delegating authority under the CPP. It permitted all PAB judges to make decisions on requests for Leave to Appeal to the PAB, not only the Chair and Vice-Chair of the PAB, as previously.

An ongoing concern over this period has been helping people return to work, be it their former job as it was or reconfigured, a new job or self-employment. Several factors have motivated government to put greater stress on the return to work goal of the CPP. According to HRDC, the CPP Disability Vocational Rehabilitation Program is a response to the changing nature of the workforce and the changing attitudes of the employability of many persons with disabilities. "In the past, many people receiving benefits because of a severe and prolonged disability believed that they were permanently out of work. Today, new technology, medical treatments and skills training are making it possible for some people with severe disabilities to become part of and remain in the work force" (HRDC, 2002: 2). The services included in the Disability Vocational Rehabilitation Program, in which participation is voluntary, include individualized guidance on assessing needs, education and skills, and local job market opportunities; planning a return-to-work rehabilitation plan in concert with the participant's physician, the CPP case manager, and vocational rehabilitation specialist; improving skills, upgrading education or retaining; and, developing job search skills. A related program, the information sharing agreements between HRDC and provincial WCBs, permits CPP and these boards to collaborate in return to work initiatives for shared clients. A recent reform, effective May 2001,allows recipients to earn up to $3,800 a year from work without losing their benefits, and if the recipient can only work on occasion, they may be allowed to earn more than this amount while still receiving CPP disability benefits.[35]

The federal government has also launched new projects aimed at providing more regular and useful information to all CPP contributors as well as current disability recipients. Such information campaigns are part of public policy because they not only may assist HRDC in providing better services to recipients, they help to shape the knowledge and expectations of Canadians toward the public pension system, thus encouraging a sense of confidence in the CPP and a sense of personal responsibility to prepare for retirement through such means as retirement savings plans (Martin, 2000; HRDC, 2001).

Implications for Clients

Along with restoring public confidence in the viability of the CPP by increasing premiums and reforming the investment policy, the main intent of Bill C-2 was to slow the growth of program costs by tightening the disability program and related benefits. For people receiving benefits from January 1, 1998 onwards, Bill C-2 introduced cuts to disability benefits, death benefits as well as to combined disability and retirement benefits and combined disability and survivor benefits. These cuts demonstrated that

[35] See the Canada Pension Plan Annual Report, 1998-99 for more details on these and other rehabilitation measures by HRDC. Related employment-oriented initiative for persons with disabilities, are discussed in Prince (2001a and 2001b).

rights conferred by a social insurance program are not an immutable social contract between governments and individuals but could be changed by governments. Compared to changes to EI or federal transfer payments to the provinces, these cuts were relatively mild, yet still reductions in benefits and retrenchments in administration to a group often struggling hard to make ends meet.

A HRDC document claims that persons with disabilities were not in fact targeted by the cuts introduced by Bill C-2.

> These measures are part of a balanced package of changes to ensure that Canada Pension Plan is affordable and sustainable for future generations. The Canada Pension Plan will continue to provide disability benefits that are fully price indexed. The measures will enable the Canada Pension Plan to continue to provide disability benefits in a fair, consistent and responsible manner while controlling costs. In fact, the long-term impact of the benefit changes will be shared among retirees, survivors or estates, and persons with disabilities (HRDC, 2001a: 7).

This same document does admit, however, that eligibility for disability requirements now requires a higher test of attachment to the labour force, that new CPP disability beneficiaries will receive less money than before the 1998 changes, and that disability beneficiaries could also receive less money at age 65 when their disability benefit converts to a retirement pension. While government reports claim that the contribution increases and benefit cuts are fair to current and future generations and to both men and women, a program evaluation or policy analysis has yet to be published by the federal government which estimates the impact of the benefit cuts by gender, income levels, age groups or other relevant categories.

On a number of measures, the disability program has been in a period of decline relative to earlier periods and in comparison to other parts of the CPP. CPP disability caseloads peaked in 1993-94, levelled off for a few years and have been in gradual decline since 1996, without doubt reflecting the stricter eligibility rules introduced in 1995 and 1998. As a percentage of total CPP benefits, disability benefits have also dropped in recent years, to a share last recorded in the 1980s. The real value of average monthly disability benefits payable has diminished, and benefits were worth about $100 a month less in 2000 than in 1993. Likewise, total expenditures on CPP disability benefits have been gradually falling, in constant 2000 dollars, since 1993.[36] Disability expenditures have been significantly declining as a percentage of CPP expenditures since 1993-94, from 19.1 percent in 1994 to 14.3 percent in 2000.

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[36] Torjman (2002: 22). Recently, the year-to-year nominal increase in actual average monthly disability benefits has been less than two percent. It is worth noting as well, that the *actual* monthly benefits people receive averages about 75 per cent of the *allowable* maximum amount, because many contributors earn below the average earnings level. Moreover, men receive a higher average monthly benefit than women again because of differences in earning levels between genders. In 2000, men's average monthly benefit was 80.4 percent of the maximum amount whereas for women it was 68.1 percent of the maximum benefit.

Improvements have been made to the CPP communications efforts, vocational rehabilitation programming, and appeals system. Communications certainly have been expanded and enhanced to all CPP contributors, as well as to appellants, MPs, insurance companies, provincial government agencies and physicians. Various work incentives and individualized return to work planning with disability clients are now regular and important features of the CPP. The average time for HRDC officials to process an initial application and a reconsideration have both been reduced, and the Review Tribunals and the PAB are also processing appeals more quickly than before (HRDC, 2001b). These reforms are running hard to keep up with significant demands on the appeals system. It was imagined in 1991, when the Review Tribunal system was introduced, that about 1,800 appeals would be received annually at this second level. In fact, the number of new appeals received in each year to Review Tribunals began with 2,028 in 1992-93, more than doubling to 4,872 in 1995-96, more than doubling again and peaking at 10,977 in 1997-98, then falling back to 9,084 new appeals in 1999-2000 (OCRT, 2001: 27). These figures do not include outstanding appeals at the end of the previous years, so that the total number of cases at the second level has been in the 14,000 to 16,000 range through the late 1990s.

CONCLUSIONS

This paper has examined the origins and evolution of the CPP, with a focus on the disability program, over the past four decades. We have been interested in tracing how the issue of public protection against the disability of workers has been addressed, and what the reform record has been of the federal government. A central part of Canada's social security system, the CPP has been described over the years as an important symbol of our nationhood, a major achievement in cooperative federalism and a significant component of our social fabric.

A general framework for the analysis of this history based on four periods was presented and used: the policy design and formation phase from 1964 to 1970; the policy implementation, adaptation and pension debate phase spanning the 1970 to 1986 period; the years 1987 to 1993, which included major reforms to the CPP and the liberalization of disability benefits and eligibility; and the most recent phase, 1993 to 2001, a period characterized by critiques, retrenchment and the reorientation of disability benefits and goals. It was suggested that the four periods have distinct enough attributes to permit a separate analysis of each. Nonetheless, it is also recognized that the four periods are fundamentally interconnected. Contemporary CPP disability policy is therefore best seen as informed by the interplay of these periods of policy changes and continuities.

As social policy analysis, the paper has delved into the reasons Canadian governments introduced, expanded, constrained and restructured the CPP over the past 40 years. The analysis has put emphasis on political factors, concentrating on governments, political parties, federalism and legislative processes. In sum, the study suggests that the genesis of the CPP disability program was shaped by electoral strategies, policy work by Liberal Party and federal and Quebec bureaucratic officials, intergovernmental bargaining and

constitutional considerations, wide public support, and social security practices in other countries. A number of American influences can be noted. The addition in 1957 of disability insurance to the United States' Social Security, a national contributory pension scheme, contributed to the interest and debate in Canada. In 1958, the Diefenbaker commissioned a comparative study of the Canadian and American systems in retirement pensions and disability and survivor benefits. When the CPP was being designed in detail in 1964, federal government officials found that Canadian statistics related to long-term disability and the experience under the *Disabled Persons* Act, "disclosed little information that seemed directly pertinent to possible future experience under the CPP. Thus, for purposes of the current estimates, disability rates were based almost wholly on disability experience that has developed under the Old Age Security Disability Insurance system of the United States" (National Health and Welfare, 1965: 78). As noted earlier, the appeal system included in the original *Canada Pension Plan* legislation was modelled along the lines of the American old age security legislation.

Once implemented, though, the CPP developed a trajectory of its own – with its financing and lending policy, growing caseloads and appeals, program changes and policy debates - subject to the influences of Canada's political economy, practices of the QPP, federalism and cabinet parliamentary government. In the other direction, the CPP disability program has effected the policy context too, and Table 14 suggests some political implications of the disability program.

Table 14
Policy and Political Effects of the CPP Disability Program

Feature	Effects
Disability Expenditures	After liberalization of benefits and eligibility in late 1980s and early 1990s, concerns by officials about excessive cost pressure and thus framing a reform agenda calling for the restraint in growing expenditures
CPP Appeals System	From the outset, disability cases comprise over 90 percent of all appeals Over time, pressure on expanding or tightening the interpretation of eligibility and disability Eventually lead to reforms of second level in 1992 Various groups appear before tribunals providing advocacy services (e.g., lawyers in private practice or with legal aid clinics, professional pension consultants, union representatives, and community support workers)
Role of MPs and Parliament	Constituency concerns prompt regular questions and motions by MPs The universality of disability conditions across the country and the well-deserving status of disabled workers tend to make this a non-partisan issue with co-operation among parties Committees and task forces important forums for policy evaluation, consultation and reform advocacy Office of the Auditor General of Canada also a regular actor involved in policy and program assessment
Liberal Party of Canada	CPP and the disability component presented as a major achievement and legacy of the Pearson era, something to protect and strengthen

Federal-Provincial Relations	Disability benefits required a constitutional amendment in 1964 Major changes call for broad intergovernmental consensus, granting de facto vetoes to Quebec and Ontario because of population sizes Quebec Pension Plan often presents a source of innovation Working groups of officials frequently used to negotiate and to study reform proposals
Provincial Disability and other Income Programs	Issues of Cost-shifting, benefit stacking by some clients Development of information-sharing agreements to work together with federal income program and agencies Idea of a comprehensive disability income program raise periodically and examined by officials
Social Union	A social insurance program with national coverage which enhances the role and responsibility of the federal government in the pension and disability policy fields Includes provisions for review, joint planning, sustainable funding and for informing Canadians Seen by most Canadians as an essential element of social security and citizenship

One of the themes of the paper is that CPP disability policy is best understood in broad terms. It must be understood to include not only legislation and regulations, but also agreements on social security and information-sharing, policy directives and medical guidelines, leading case decisions on appeals, management practices and communication initiatives. Furthermore, analysis must not be limited to the policy goal of income protection. From the start, other policy goals have been a feature of the Plan, and these have risen as priority concerns by governments. A key finding of the paper is that the goals of return to work, program integrity, and financial sustainability all received greater emphasis through the 1980s and 1990s while the income security goal has been the object of some restraint in the most recent period. Each of these policy goals also has its own meaning, which may have shifted somewhat over time. Income support has had a social insurance purpose to replace earnings lost, rather than an anti-poverty purpose of providing a guaranteed basic income to all. Program integrity, for example, has expanded beyond initial ideas about rights to an appeals process, to include control measures, client services and communication efforts.

Continuities Spanning the Periods

Underlying the four periods of the CPP disability program's history is a large element of continuity in policy, practice and politics. Major examples of this continuity include the following:

- The CPP remains a national social insurance program operating in nine provinces and the territories alongside the Quebec Plan.

- The original goal of a modest level of income replacement, with a defined benefit that is indexed, taxable and portable, continues.
- The maximum CPP and QPP retirement pensions are still limited to 25 percent of average earnings in order to leave plenty of room for occupational pensions and personal retirement savings plans.
- The statutory definition of eligibility to the disability benefit has always included reference to a prolonged and severe mental or physical disability.
- The right to appeal decisions affecting CPP benefits, which may be launched by the applicant or beneficiary, an advocate, trustee, an estate or the Minister.
- Disability cases representing approximately 95 percent of appeals since the early 1970s, reflecting in part the growing caseloads until the mid 1990s.

Indeed, most of the original design features of the CPP outlined in Table 2 are in effect today. A number of reasons can be suggested for these continuities and why changes are often slow or difficult to achieve. These would certainly include a faith in the private sector and a belief in personal responsibility to provide retirement income security, joined with a concern held by many of the financial costs and sustainability of public pension reforms. Then there is the reality that the disability program is one part of a larger program, the CPP retirement pension, which in turn is one component of a complex system of public and private sector pension and disability programs. Since the CPP is an intergovernmental program, a federalized social contract, it is both a valuable source of stability and an impediment to quick and easy change. A reason commonly noted by political scientists and social policy analysts is that the amending formula for major changes to the CPP requires the approval of parliament and of two-thirds of the provinces with at least two-thirds of the Canadian population. This adds a strong degree of "dynamic conservatism" to the CPP (Banting, 1987) as does the wish to maintain congruency between the CPP and the QPP. As a social contract, the CPP is a response to key public needs, the product of hard bargaining and hot debate (LaMarsh, 1969; Kent, 1988) and constituting a complex web of obligations, entitlements and expectations. In part, the various continuities in the CPP represent an honouring of these past commitments. At the same, though, another continuity is that ideas about and demands for reforming the CPP have never been far from the policy agenda for most of the past four decades.

Changes in Disability Policy and Practice

The CPP has not been completely resistant to adjustments and transformations. To a large extent,, change has been a normal state of affairs for CPP disability policy and practice. The nature and content of policy changes, legislative amendments and administrative developments were set out in Tables 4, 7, 9, 12 and 13 covering the four periods of the Plan's history so far. I draw concluding attention to them to make the basic point that the CPP has changed many times and in many ways; a simple count of those surveyed in this paper amounts to around 50 changes in policy and practice.

Noteworthy changes in the CPP and the CPP disability program, and their dates, have included:

- The amount of benefits payable to disabled contributors and to children
- The method of indexation (1974)
- Elimination of the retirement test for retirement pensions (1974)
- Contributory requirements (1996, 1986, 1998)
- International Social Security Agreements (staring in 1979)
- The contribution rates schedule (1987, 1992, 1998)
- From pay-as-you-go financing to partial funding (1998)
- The department's organizational structure and delivery systems for services (various times)
- The shift from Review Committees to Review Tribunals at the second level of appeals (1992)
- Interpretations of what constitutes a severe and prolonged disability (1988, 1992, 1995)
- Introduction of the CPP Disability Vocational Rehabilitation Program (1997)
- The abolition of the CPP Advisory Committee (1998)
- The creation of the CPP Investment Board (1998)
- Adoption of an earnings exemption for disability beneficiaries (2001).

The above changes were accomplished through legislative amendments, new legislation, administrative guidelines and policy directives within the department, and though accords between the federal government and other governments. Other changes reflect shifts in the economy and society, such as the decline in the age of CPP disability beneficiaries over time and the shift in the gender mix of beneficiaries, with a growing presence of women on the caseloads (Torjman, 2002). Pressure for changes has come from claimants and their families, in their struggles with the department and the appeals system; from MPs in advocating on behalf of constituents and their own political beliefs; and from various social policy groups representing women, persons with disabilities, and older workers. With an increase in divorces, shifts in family sizes and forms, the growing labour participation of women, people retiring earlier than age 65, and other trends in social attitudes, assumptions embedded in the program from the 1960s and earlier, became less conventional and reflective of the human tapestries of Canadian experience. Official discourse on disability issues – the language used by decision makers in talking about public policy actions – has also shifted somewhat in recent decades. The language commonly employed in documents in the 1980s spoke of "helping the disabled." More recent documents speak of offering support to Canadians with disabilities to support them in achieving equal citizenship (Prince, 2001a; 2001b).

A question which has received different answers over the years is: how many years of paid work and making contributions over what period of time are required to qualify for the disability benefit? Table 15 summarizes the different responses by governments to this question.

Table 15
Changes in Contributory Requirements for CPP Disability Benefits

Period	Contributory Requirement to Establish Eligibility
1970-1975	Five full years of contributions
1976-1986	Five of the last 10 years in whole or in part calendar years and at least one-third of the total years in their contributory period
1986-1997	Two of the last three years or five of the last 10 years
1998 –present	Four of the last six years

In just over 30 years, the CPP disability program has gone through four phases of reform. While a particular reform process, represented say by a major piece of legislation, may start and stop, pension policy development is never finished and the pension system never totally completed. "Policies rarely take the precise form of the demands which gave rise to them. The demand is often that "something" be done; the policy is only one of several possible some things. For many it may satisfy the original want only in part, and for both them and theirs it may give rise to new wants by raising expectations" (Bryden, 1974: 16). With disagreements over definitions of severe and prolonged disability, shifting priorities on policy goals, time constraints and other resource limitations, policy and practice reforms are never precisely on target. And, let us always remember, pension policy reform is inherently a political process. [37] The continued, serious inadequacies of pension coverage in the private sector of Canada's work force served, at times, as a stimulus for calls of further action in public pension, though increasingly such calls were ignored or resisted by most governments in the last decade.

In the 1980s, political assessments of the CPP concluded that while major change was possible it was not easy, given the need to secure the support of Ottawa, Quebec, Ontario and five other provinces. With shared and divided authority over the CPP, a broad intergovernmental consensus was required under the decision rules, consequently making it a conservative force in Canadian pension policy (Banting, 1984; 1987). This became the conventional view of the CPP in the social policy and Canadian federalism literatures. The line of analysis in this paper, however, makes a contribution not fully appreciated in either of these fields of writing. Since the writings of the mid 1980s, the CPP has undergone significant reforms, both expansions and contractions. Intergovernmental agreements have been reached on different occasions dealing with several issues, as outlined throughout this paper. The regular schedule of federal-provincial meetings of ministers every five years, instituted in 1987, and now every three years, since the 1998 reforms, likely facilitates this dialogue among governments. Thus, the CPP emerges as a

[37] John Myles and Jill Quadagno (1997: 249) remind us that: "Pension reform is the result of a political process in which contending actors vie with each other to promote or to resist change or to determine the form and amount of change."

dynamic program, experiencing numerous changes over the past four decades, and likely to continue doing so in the years ahead.

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